دار الشروق

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NEWS SUMMARY

GENERAL

Arabs urged to boycott U.S.

Arab governments were urged to start an oil boycott against the U.S., to withdraw funds from U.S. banks and to break off diplomatic relations with Washington.

The call was made by Mr Naim Haddad, Speaker of the Iraqi parliament and a senior member of Iraq's Revolutionary Command Council, addressing Arab parliamentarians meeting in Beirut.

In retaliation for Israel's attack on Iraq's nuclear reactor, the call is designed to press conservative Arab states to adopt a harder line towards the Reagan Administration. It is unlikely to have any immediate effect. Observers believe Iraqi President Saddam Hussein is testing the water indirectly. Libya may cut oil price, Page 3

560-lb Ulster bomb defused

A 560-lb bomb found by an Ulster foot-patrol, in seven milk-churns hidden in a culvert beneath a road used by security forces, near Greencastle, Co. Tyrone, was defused. It was to have been triggered by wires.

The 100th member of the Royal Ulster Constabulary to die in the present troubles was buried yesterday. Michael Devine, 27, of the outlawed Irish National Liberation Army, became the 7th prisoner in Belfast's Maze jail to start a hunger-strike since the deaths of four hunger-strikers in May.

Letter-bomb sent

A letter-bomb sent to Tory MP Sir John Biggs-Davison was intercepted at the Commons. He believed it came from "the so-called English Republican Army, whoever they may be."

Weapons source

The U.S. is the world's largest source of weapons reaching terrorists. Arms to equip 8,000 men were stolen from its depots in Norway, elsewhere in Europe and in the U.S. between 1971-74, the U.S. Army admits, according to a Centre for Contemporary Studies publication.

Pope's pleurisy

The Pope is suffering from pleurisy, but improving, the Vatican said.

'Racial' attack

Police investigating the stabbing to death of a black youth in Peckham on Saturday by a gang of white youths said "it would be foolish to believe it to be anything but a racial attack."

Chaos avoided

Chaos was avoided when U.S. air-traffic controllers accepted a Federal offer to raise average pay by 11 per cent (£2,000) a year, shortly before an illegal strike was due to start.

Kandahar raid

Hundreds were believed killed when Soviet MiG 17 planes bombed Kandahar to crush Afghan guerrillas. The UN said more than 2m Afghan refugees were now registered in Pakistan.

Lennon killer

Mark Chapman changed his plea to guilty when accused in Manhattan of murdering John Lennon. He will be sentenced on August 24.

Ferry fire

A Sealink ferry to the Channel Islands was cancelled after it limped back to Portsmouth with 177 passengers when a fire started in her engine-room.

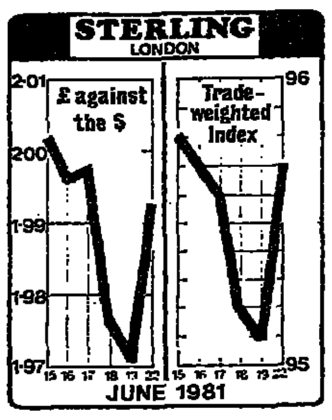
Wimbledon set

Wimbledon looked set to draw a record first-day crowd as fans enjoyed fine weather. John McEnroe, No. 2 seed, collected two penalty points as he beat Tom Gullikson (U.S.). Three seeds lost their matches.

BUSINESS

Sterling up 2.15c; equities higher

● STERLING was firmer. It closed 2.15 cents higher at $1.9925, and rose to DM 4.71 (DM 4.6850), FFr 11.2050 (FFr 11.1150) and SwFr 4.0950 (SwFr 4.0750). Its trade weighted index was up to 95.7 (95.1). Page 26



● DOLLAR eased in late trading. It finished at DM 2.3630 (DM 2.3770), SwFr 2.0540 (SwFr 2.0675), and Y222.40 (Y223.25). Its trade weighted index fell to 108.1 (108.7). Page 26

● EQUITIES improved in quiet trading. The FT 30-share index close 2.9 up at the day's best of 544.3. Page 32

● GILTS were stimulated by last week's further decline in U.S. money growth. The Government Securities index added 0.37 to 66.15. Page 32

● GOLD rose $4 to $462.5 in London. In New York the Comex June close was $464.5. Page 26

● WALL STREET was down 0.23 to 995.91 near the close. Page 30

● CITIBANK and Chemical Bank raised their prime rates to 20 per cent. No major U.S. bank now has a prime below that level.

● ARGENTINE peso fell by about 20 per cent against the dollar after the Central Bank said it would allow the currency to float, effectively devaluing it for all but commercial transactions.

● DUTCH Central Bank is to suspend credit controls. Page 2

● BANK OF ENGLAND is to introduce changes in the monetary control system to give it greater flexibility in market operations. Back Page

● UK ECONOMIC activity may have levelled out from its sharp decline but there are no signs of any subsequent recovery, according to the official indicators designed to identify turning points. Page 8

● LIBYA may be ready to cut the price of its oil from $41 to $36 a barrel. Page 3

● BRITAIN could be producing over 10 per cent more energy than it will need by the second half of the 1980s. Page 9

● ROMANIAN GOVERNMENT faces writs seeking at least £1.5m damages after the collapse of Tudor Vehicle Imports (UK), an importer of Romanian commercial vehicles. Back Page

● BOC INTERNATIONAL'S £82m convertible loan stock rights issue has flopped, only 27 per cent has been taken up. Back Page

● MICHELIN will put all six of its UK tyre plants on short-time working from the start of August. Page 8

● HONG KONG'S largest new share issue was announced by Henderson Land Development Company, a new group which is to raise HK$1bn (£91m) by floating 250m shares. Page 28

● ANDERSON STRATHCLYDE, mining and industrial equipment manufacturer, reported pre-tax profits up from £5.87m to £6.33m for the year to March 31. Page 20

British Rail 10-year plan to hinge on improved productivity

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE Government has given the go-ahead for British Rail to prepare a 10-year programme, subject to "immediate substantial economy measures." Mr Norman Fowler, Transport Secretary, said in the Commons yesterday.

Each electrification scheme proposed by BR will be accepted for funding by the Government only if it is profitable and only if BR achieves improvements in productivity, MPs were told.

"The Government is not prepared to give an unconditional commitment to the electrification of an extensive network," Mr Fowler said, amid uproar from opposition MPs.

British Rail had wanted the Government to give the go-ahead for wide-ranging schemes to electrify more of the network, including an option to more than double electrified track. This would have cost £775m over 20 years.

Mr. Fowler's statement will disappoint rail equipment suppliers who wanted a quick go-ahead for a rolling programme of main-line electrification.

Mr Fowler told MPs that progress on electrification will depend on the achievement of the changes necessary to secure manpower reductions and improvements in productivity.

British Rail yesterday welcomed the government statement. Sir Peter Parker, the chairman of BR, said the statement was a realistic expression of confidence that the Government is committed to a modern railway system for Britain. Rail union leaders however were clearly disappointed by the statement.

He said British Rail had never shirked the need to make its own contribution to modernisation and would keep up the momentum of change.

Labour MPs attack electrification decision, Page 10
No progress on BR labour efficiency, Page 11

British Rail has cut 7,500 jobs in the past 12 months towards the target of 38,300 job cuts by 1985 outlined in the British Rail Corporate Plan.

British Rail is also to end its loss-making parcels collection and delivery business on July 1. This service lost £38m last year on revenue of £40m and the Government included £53m in British Rail's current external finance limit of £920m for the "transitional costs" involved in BR cutting 6,090 jobs in its parcels service.

British Rail has further, tough financial and performance targets to meet if it is to have any chance of winning the go-ahead for electrification schemes.

The financial position of British Rail already gave "serious cause for concern," Mr Fowler told MPs. The position had worsened since the end of last year. Inter-City was already £52m short of its budgeted revenue for the year and rail freight was down £27m on its budget, after losing £53m in 1980.

BR has forecast that unless action to cut losses is taken it could exceed its external finance limit by £100m.

The Government is determined that this will not happen and yesterday Mr Fowler called on British Rail to take immediate steps to match rail capacity closer to "profitable demand."

This would inevitably result in rail closures, with Inter-City certain to bear the brunt of any new round of cuts. Inter-City passenger services in the west country and services between England and Scotland, where capacity is duplicated out

Continued on Back Page

Walker makes a veiled attack on hard-liners

BY RICHARD EVANS, LOBBY EDITOR

THE INFLEXIBILITY of the Government's economic strategy came under veiled attack yesterday from one of the most persistently-critical members of Mrs. Margaret Thatcher's Cabinet.

Mr. Peter Walker, the Agriculture Minister, argued that governments' basic political and economic approach should be free of doctrinaire theories. He pointedly contrasted policies based on a single economic theory with "sane and pragmatic decision making."

Although he did not attack specific policies or name Mrs. Thatcher in his speech, made in New York to the British/American Chamber of Commerce. Mr. Walker's continuing disquiet over the rigidity of the Government's broad economic strategy was evident. In his view the objective of statesmanship was to obtain a sense of national unity.

Reaction from close colleagues of the Prime Minister to the speech, one of the most critical from a Cabinet "wet" for some time, was muted, and there is no question of an immediate angry response from Mrs Thatcher.

But some obvious, if coded, criticism only five days after a special Cabinet apparently had reached broad agreement on economic strategy is certain to cause irritation.

The speech underlines the continuing belief of some Cabinet members that a more flexible economic strategy is needed quickly. It also carries a warning of opposition to attempts to maintain a hard line beyond the autumn.

Mr Walker took as his theme the challenge facing governments in the 1980s. He suggested a pragmatic approach to domestic and foreign affairs to give stability.

In his opinion, unemployment was divisive and would bring with it high levels of crime and the prospect of younger generations [illegible] approach to the structure [illegible] society.

He went on: "Our basic political and economic approach should be free of any doctrinaire approach. It should not be based upon the works and intellects, no matter how considerable, of any one group of economists be they of the London, Harvard, Cambridge, Chicago or any other school. This is not a decade for Western governments to become too fascinated by any economic theory . . . it is a decade for sane and pragmatic decision-taking."

Mr Walker then went out of his way to choose Mr Harold Macmillan as the prime example of a statesman who understood that politicians should not tackle problems caused by unemployment, which had been so divisive and dangerous in the 1930s, by "working downwards from abstract theory."

Nato warning on defence cuts, Page 2

Peugeot group loses £134m

BY TERRY DODSWORTH IN PARIS

PEUGEOT, THE French motor group which took over market leadership in Europe in the late 1970s, suffered a sharp reversal last year when it slumped to a consolidated loss of FFr 1.5bn (£133.7m).

The deficit, compares with a FFr 1.8bn profit in 1979, underlines the dramatic decline in the company's fortunes in 1980, when it was hit both by a heavy fall in sales and a big increase in costs.

The decline in registrations of all three of the company's marques—Peugeot, Citroen and Talbot—led to virtually stagnant turnover at FFr 71.1bn (£634m) against FFr 71bn. Costs were particularly inflated by a rise in interest charges to FFr 2bn compared with FFr 1.2bn in 1979, along with the expenditure of FFr 1.5bn on closures and redundancies. By comparison, Peugeot spent only FFr 100m on similar reorganisations in 1979.

The results would have been even worse except for a tax credit of more than FFr 1bn, which substantially reduced the pre-tax loss of FFr 2.6bn.

Despite these difficulties, Peugeot continued to invest heavily in 1980, with expenditure going up to FFr 5.65bn against FFr 5bn in the previous year. The company has given few hints of its detailed plans, but has made it clear that it has a full programme of new models on the stocks as well as radical plans to reorganise component production. These reorganisations include the closure of Talbot's Linwood plant in the UK, where the company ran up its biggest loss of almost FFr 600m last year. The deficit in France, where Talbot also hit problems, amounted to about FFr 500m.

The Talbot division is being absorbed by Peugeot, with wide-ranging rationalisation of the two dealer networks, particularly in France. But group sales and production have continued to fall this year after tumbling to 1.96m units in 1980 from 2.31m the year before.

According to figures for the first three months of this year, Citroen's sales fell to 64,000 units in France against 82,000 in 1980, Peugeot's to 61,000, compared to 85,000 and Talbot's to 21,000 against 30,000 last year.

Communists join talks on French Cabinet posts

BY ROBERT MAUTHNER IN PARIS

M. PIERRE MAUROY, reappointed as Prime Minister of France yesterday, will announce the composition of his new Government today.

Crucial negotiations which could lead to the inclusion of Communists in his Administration were continuing last night.

The talks, between M Lionel Jospin, the Socialist Party First Secretary, and M Georges Marchais, his Communist opposite number, began yesterday as the Socialists' landslide victory gave them an absolute majority in the National Assembly.

As is the custom, M Mauroy had earlier presented the resignation of his interim government to President Francois Mitterrand, after being in office for only one month.

The interim administration was formed shortly after President Mitterrand's own election, pending the outcome of the general election which the President called immediately in the expectation that it would give him a working parliamentary majority.

That assumption has been fully justified by the election results, which proved to be an unprecedented triumph for the Socialists and the political strategy of President Mitterrand.

The Socialists and their small Radicals of the Left allies increased their strength by at least 163 seats to 284, giving them 48 more than needed for an absolute majority in the 491-member Lower House.

It was claimed yesterday that President Mitterrand had given instructions to M Mauroy to include Communist Ministers in the Government, but only if the Communist Party accepted the Socialist Party's conditions.

This has been the Socialists' position since M Mitterrand's election. The conditions, which [illegible] the first round of the general election, are uncompromising.

They would involve a fundamental modification of the Communist Party's foreign policy and attitude towards the Soviet Union and the acceptance of the Socialist Party's relatively moderate economic policies, including its limited nationalisation programme.

M Marchais said after the announcement of yesterday's electon result that, in spite of all the differences between the two parties, there was enough common ground for them to govern together. But that might be no more than wishful thinking.

The key question is whether the Socialists really want to conclude a government pact with the Communists, whose support they no longer need and whose participation in the Government would provoke the suspicions of the U.S. and Arab countries.

M. Mauroy, who saw President Mitterrand three times yesterday to discuss the composition of his Government, refused to make any statement afterwards on the subject of Communist participation.

But the Prime Minister emphasised that the Cabinet would meet tomorrow as usual, an indication that the problem will have been solved by then.

The Bourse and the Parisian foreign exchange market, which had expected the Socialist victory after the first round of voting on June 14, reacted calmly to the outcome of the election. In a very quiet market French shares, which have lost about 30 per cent since President Mitterrand's election, made marginal gains yesterday.

The French franc benefited from the weakening of the U.S. dollar on all foreign exchanges and was quoted at FFrs 5.6680 yesterday, compared with FFrs 5.7150 at the close last Friday. Against the pound it weakened slightly to FFrs 11.20 [illegible]

Editorial Comment, Page 18

HOW FRANCE VOTED

	Old Assembly elected (19/3/78)		New Assembly elected (21/6/81)	
RPR (Gaullists)	155		83	(−72)
UDF (Giscardians)	119		61	(−58)
PS (Socialists)	107		270	(+163)
PC (Communists)	86		44	(−43)
MRG (Radicals of the Left)	10		14	(+4)
Non-affiliated	14	Various Right	11	
		Various Left	5	
	491		488	

The results of two Polynesion constituencies and the Pacific islands of Wallis and Futuna have not yet been announced.

Socialist gains in Italian local polls

By Rupert Cornwell in Rome

THE ITALIAN Socialist Party last night was heading towards its greatest electoral success in more than a decade as the results came in from the weekend round of regional and local polls, involving more than 9m voters.

Complete returns from Sicily, where electors were choosing a new regional administration, showed the Socialists taking 14.3 per cent of the votes compared with 10 per cent at the general election two years ago.

This advance was reinforced by computer projections and partial results of municipal elections in Rome, Bari and Genoa.

In Genoa, with nearly half the votes counted, the Socialists had moved up to 16 per cent of the poll against 12 per cent in 1979. The party seemed headed for smaller gains in Rome, but in Bari early estimates suggested that the Socialists might have doubled their share of the vote to more than 22 per cent.

In Italian terms the advance here is a major electoral upset, especially since it seems likely to drive the Communists into third place.

The dramatic improvement by the Socialists, coupled with lesser gains by the smaller "lay" parties—Republicans, Social Democrats and Liberals—seem to bode well for Sig Giovanni Spadolini, the Republican leader who is trying to assemble the country's first non-Christian Democrat led government since 1946.

The results so far suggest a resounding triumph for Sig Bettino Craxi, the Socialist leader. They also indicate that the sweeping Socialist success in France has had an impact in Italy.

The impact of the elections will [illegible] few days. But the strong showing of the minor lay parties will increase their ministerial ambitions in the new government—Italy's 41st since the last war—and make it harder for the Christian Democrats to maintain that they must be properly compensated for the surrender of the Prime Ministership.

In a wider sense, the Socialist success can only strengthen the

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£ in New York

	June 19	Previous
Spot	$1.9815-9835	$1.9710-9720
1 month	1.15-1.20prem	1.10-1.17 pm
3 months	2.95-3.05prem	2.80-2.90 pm
12 months	6.20-6.40prem	5.70-5.90 pm

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:

Exch. 11½pc 1986	£92½	+ ½
Treasury 13pc 2000	£88⅝	+ ⅝
Barclays Bank	425	+ 10
Beecham	218	+ 5
Boosey and Hawkes	177	+ 5
[illegible]	151	+ 7
[illegible]	44	+ 5
[illegible]C	705	+ 16
[illegible]RE	320	+ 8
Hambro Life	394	+ 9
Hanson Trust	286	+ 4
Henderson (P. C.)	145	+ 7
[illegible]EFC	228	+ 6
[illegible]ts. Mfg.	144	+ 6
[illegible]ssey	330	+ 6
[illegible]well Duffryn	286	+ 9
Property Part'ships.	260	+ 7
Racal Elec.	376	+ 9
Ricardo	470	+ 20
Roberts Adlard	125	+ 9
Rowlinson Cons.	51	+ 5
Sidlaw	174	+ 7
Tern-Consulate	61	+ 12
Trusthouse Forte	158	+ 5
Wilkins and Mitchell	20	+ 4
Woodhead (Jonas)	38	+ 6
Sovereign Oil	350	+ 25

FALLS:

Applied Computer	131	− 11
Johannesburg Cons.	£33¼	− 1¼
Peko-Wallsend	455	− 35
Randfontein Estates	£23½	− 1¼

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Socialist tide sweeps across French political map

BY DAVID WHITE IN PARIS

FRANCE'S POLITICAL coat has been turned inside out. In six weeks since a closely-fought and unpredictable presidential election, there has been a total transformation, beyond even the Socialist Party's wildest dreams.

In the general election, concluded on Sunday, a quarter of the National Assembly's 491 seats swung from right to left. Incumbent Socialist deputies, re-elected to a man, found themselves outnumbered by new colleagues who had ploughed their way through the fiefs of Gaullist, centrist and communist alike.

The Socialist momentum was such that prominent national figures for 20 years were knocked out by unknowns. Few people in Paris have heard of the man who took the captive seat of Provins, south-east of the capital from M Alain Peyrefitte, former Justice Minister, member of the French Academy and of almost every government since Gen de Gaulle's comeback in 1958.

The same fate befell such men as M Jean-Francois Deniau, ex-President Giscard's chief campaign lieutenant and once tipped for Prime Minister, and M Yves Guena, one of the "barons" of Gaullism—and, for that matter, most of the top communist leadership save M Georges Marchais himself.

Between the first round of the presidential vote on April 26 and that of the general election a week ago, the Socialists pushed up their score by 10 percentage points to 37.5 per cent, and in the final round on Sunday they had very nearly 50 per cent of the total.

The advance is magnified by the mechanics of the French two-round system, which acts like a distorting mirror on political opinion, exaggerating the advantage of whoever is on top.

Three main factors appear to be behind the growth of socialist support since the presidential election. First, there was the low score of the Communists in that contest: 15 per cent, the worst since the war. It was the strength of the communist presence and their inability to produce a policy platform in any way palatable to the majority of Frenchmen that had provided the block to any change of power under the Fifth Republic. Liberated from the inevitability of a compromise with the Communists, the Socialists could draw on large new reserves of support.

The second consideration was the presence of a socialist President in the Elysee. Part of the previous conservative vote was really a "legitimist" vote —more power to the man in the saddle. To some extent, the new Parliament has gone in on President Mitterrand's coat-tails.

The third factor was the series of wage and employment measures taken by the interim government, particularly the increases in minimum pay and family benefits, which touched large numbers of the worse-off who previously voted conservative or communist.

The unprecedented advance has brought the Gaullists, who held an absolute majority 10 years ago and were still by far the biggest parliamentary party, down to one-sixth of the Assembly and the Centrists and Communists to less than that.

It has taken place in all parts of the country, including those areas north of the Loire where it used to be said that socialism stopped. Many of the new deputies were already mayors or local councillors, well implanted throughout France since the Left's gains in municipal elections four years ago.

The basic map of conservative and radical France is still much the same as it was at the time of the Popular Front in 1936. The Left is still strongest in the far north, the south-west, the centre-west and the Mediterranean regions, and weakest in the areas most dominated by catholicism, such as the east and the south of the Massif eCntral.

The Left has strengthened its hold, however, in regions like Lille, where it has virtually eliminated the opposition. It has also made new inroads, most spectacularly in rural Brittany, where the majority of deputies are now socialist. Before, out of 25, there were four socialists and one communist.

In Corsica the Gaullists lost three out of four seats to the Socialists' Radical allies. And in Paris, the Socialists have captured from the Right a large part of the east of the capital itself, while the suburban areas known as the "Red Belt" from their long communist domination are now as much pink as they are red.

Editorial comment, Page 18

Senior officials resign from TV and radio

BY TERRY DODSWORTH IN PARIS

A BITTER row between the new French Government and the television and radio networks over coverage of the recent elections led two leading media officials to resign yesterday. M Maurice Ulrich, chairman of the Antenne-2 television station, and M Roland Faure, director of news at Radio-France, both implied that they were going because of government pressure.

Their departure underlines the open lack of confidence shown by the incoming socialist administration in several top television news presenters and directors. Earlier this month M Georges Fillioud, Minister of Communications, accused a number of unnamed journalists of overt bias and indicated that they should have resigned.

The affair became particularly embittered during the latter stages of the parliamentary elections, when socialist officials appeared to be convinced that President Francois Mitterrand was not being given sufficient time on television.

M Fillioud's accusations have aroused both support and antagonism among news journalists. Many regard his remarks as unacceptable interference, and one union meeting led to an uncompromising rebuff on the grounds that it was up to journalists to decide what was worth reporting. But elsewhere, notably at Antenne-2, reporters have shown some dissatisfaction with the way the news is treated by their superiors.

According to M Fillioud, these problems should be resolved by a new law reorganising the management of the state-controlled television and radio networks. He is planning to bring in legislation in the autumn which will establish an independent holding body for the television and radio, with only a minority Government participation.

The most important element of this reform would be to take away the Government's right of appointing the heads of the television and radio companies. During the former President Giscard's period in office, this right was regarded by the opposition as a subtle means of manipulating news coverage to the Government's advantage.

Many of the leading figures now in the television and radio companies were nominated by M Giscard, and one of these, M Xavier Gouyou-Beauchamps, has already been replaced at the head of the SFR, which runs the state shareholdings in several radio stations.

Poland repays $30m loan

By Peter Montagnon, Euromarkets Correspondent

BANK HANDLOWY, Poland's foreign trade bank, has repaid a $30m floating rate note issue just in time to stop the note holders suing to recover their money.

The issue, lead managed by Banque Nationale de Paris, came due for repayment in full on June 10, but Bank Handlowy at that time made provision only for an interest payment of $3m.

The non-payment of principal provoked fears among bankers that non-bank note holders might sue to recover their money once a 10-day grace period had passed.

This would have caused serious problems for Poland's bank creditors. Cross-default clauses in the contract might have compelled them to declare in default all Poland's $15bn debt to Western banks.

Poland at present is not repaying principal due to its bank credits from the West, but there is a gentlemen's agreement whereby the banks have decided not to call default while they try to work out a formal rescheduling agreement.

There was no indication yesterday where Poland found the money to pay off the floating rate note.

In past weeks bankers have said it has been paying interest due on its international borrowings more or less promptly. The country is clearly short of cash however, and many bankers believe it is still receiving assistance from the Soviet Union to help meet interest payments as they fall due.

Christopher Bobinski reports from Warsaw: Articles in the latest issue of a recently-established Polish hardline weekly show the Polish party leadership continues to be under intense pressure to muzzle the reform movement in the party.

In a letter dated June 6, the Soviet Party leadership called on the Polish party authorities to adopt hardline policies and implied a lack of confidence in Mr Stanislaw Kania, the party's first secretary.

The weekly Rzeczywistosc (Reality), which has been known [illegible] thinking, says the Soviet letter "was an unrepeatable chance to regulate those matters which are worrying Poland's allies and the Left in the country by our own means."

It says: "The Soviet letter is very much a last chance" and calls on the Polish leadership "to reverse the train of events by taking bold, personal, organisational, political and ideological decisions."

In another article, the weekly says the low percentage of workers being elected as delegates to next month's party congress means "we will have a congress of a party which is no longer a workers' party."

Such arguments could suffice in the future, if the Soviets chose to adopt such a policy, to declare the congress invalid and engineer a party split.

● Nine independent Polish publishing houses have publicly condemned a proposed draft law on censorship and refused to conform to its provisions according to the Solidarity Union, AP reports.

Steel output falls

Steel output in the European Economic Community totalled 52.5m tons in the first five months of this year, down 7.2 per cent compared with the same period of last year, according to the Community's statistics office Eurostat.

RN cuts warning by Nato admiral

By James Buxton in Naples

THE COMMANDER of Nato's forces in southern Europe gave a strong public warning yesterday against any severe reduction in the strength of the Royal Navy.

Such a cut, which is under consideration by the British Government would be "a very grave step" and would make the defence of southern Europe and the Mediterranean "a great deal more difficult," according to Admiral William Crowe, commander-in-chief Allied Forces Southern Europe.

The Admiral, an American, said that although British naval ships no longer deployed in the Mediterranean on a regular basis "we would anticpate that, in the event of hostilities, we would receive some help from the British Navy and a severe cut-back would certainly reduce the probability of that happening and I would certainly consider that a very unfortunate development."

It would put a greater burden on the shoulders of the other Nato members in the region, he said.

This is the strongest public statement on Britain's defence review made so far by a leading Nato commander, but it reflects the views held throughout the Atlantic alliance.

He was speaking at a news conference before a ceremony to mark the 30th anniversary of Nato's southern command, which is based at Naples. The command groups the United States, Britain, Italy, Turkey and Greece.

Admiral Crowe said he was "ecstatic" about the return of Greece to the Nato command structure after the settling of its dispute with Turkey, within the alliance.

Soviet forces in the region were becoming increasingly powerful, he warned. While there had been no dramatic change in numbers in the past few years, the Soviet fleet was becoming much more sophisticated and much better able to handle its ships and weapons.

"If this continues, I would become very concerned

He also pointed to the proliferation of modern weaponry among inherently unstable regimes "to our south and east," which, "with a sudden shift of political fortune, could do much mischief to our security or to vital Nato interests."

The deployment of some U.S. and British naval units in the Indian Ocean following the Soviet invasion of Afghanistan and the revolution in Iran had increased the burden on other nations in the command, particularly Italy. The Italian and other navies had had to step up their training and co-operation in Nato, and he expected this to be increased further.

The Soviet Union had also transferred more ships to the Indian Ocean from the Mediterranean which had meant that the overall balance of forces there had not changed.

Admiral Crowe said that if Nato was faced with sudden hostilities in the Mediterranean "our forces would prevail, although there is little question that we would be severely tested."

A war in the 1980s would see the Mediterranean "as a major political and military objective of our enemies, towards which they would direct a substantial armed effort."

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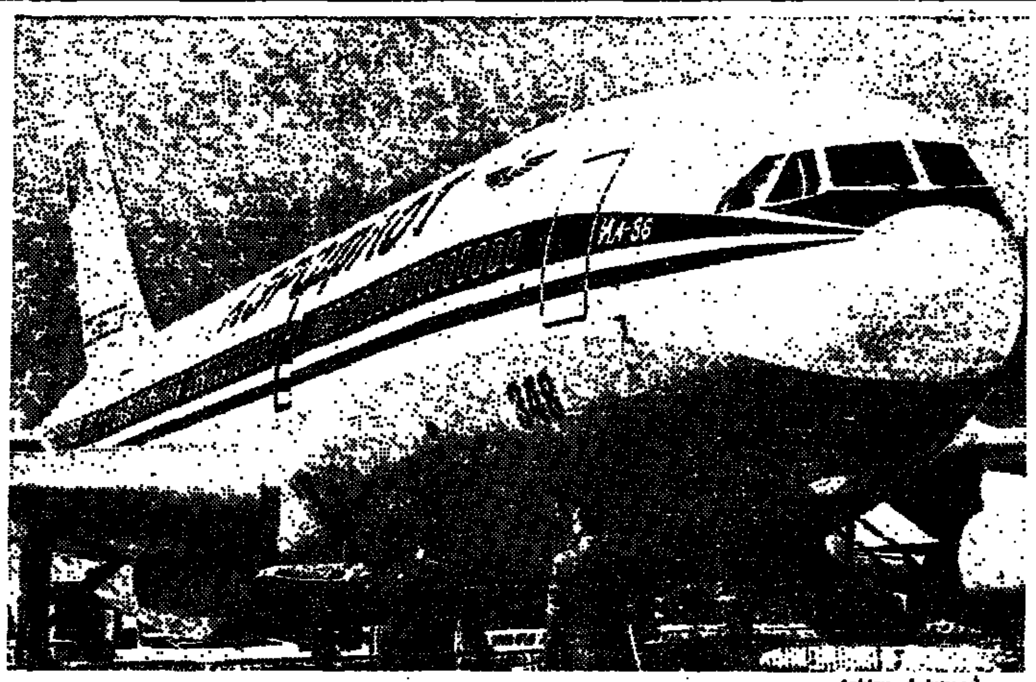


Ashley Ashwood.

An Ilyushin-86 pictured at this year's Paris Air Show.

Soviet wide-bodied jet to begin service on its first foreign route

BY LESLIE COLITT IN BERLIN

THE Soviet Union is planning to introduce the Ilyushin-86, its first wide-bodied airliner, on a foreign route next month. It will fly between Moscow and East Berlin, a move which would enhance Soviet capacity to transport troops to and from East Germany and other points in Eastern Europe.

Aeroflot, the Soviet Union's civil airline, is to inaugurate the twice-weekly service on July 3. The Il-86 has been used only on internal Soviet routes since its first commercial flight late last year.

The airliner was originally designed to carry 400 passengers, but because of the poor thrust of its four engines and their high fuel consumption, it was modified to accommodate 50 less.

Aviation specialists in the West point out that until now, Aeroflot has carried out the bi-annual airlift of troops between the Soviet Union and East Germany using its Tu-154 airliner, a tri-jet similar to the Boeing 737. Soviet paratroopers were dropped from Aeroflot Il-76 transporters in recent Warsaw Pact military exercices in East Germany.

The civil airline is also responsible for carrying troops between the Soviet Union and Afghanistan and its aircraft are frequently used for combat operations within the country.

The introduction of the Il-86 on the East German route means the Societ Union could soon begin using the aircraft to serve other East European capitals. The airliner could also land at Soviet air bases in East Germany and Poland, as well as in other East European countries, and could play an important role if Moscow had to move large numbers of troops rapidly to another Warsaw Pact country.

Several components for the Il-86 are made in Poland, including the tail assembly, and a slowdown in production at the Polish factory is said to be affecting the rate at which the airliner can be put into service with Aeroflot.

The Soviet Union hopes to sell the Il-86 to the other East European airlines but they are reluctant to buy it because of its poor fuel performance.

ROW OVER PREMIER POST UNRESOLVED

Dutch coalition talks threatened

BY CHARLES BATCHELOR IN AMSTERDAM

A DISPUTE over who is to become the Netherlands' next Prime Minister threatens to wreck attempts to form a left-of-centre government. After three weeks of negotiations between the Christian Democratic Party, Labour and the moderate left-wing Democrats '66 attitudes towards the premiership have begun to harden.

Mr Dries van Agt, the outgoing Prime Minister and leader of the Christian Democrats, has claimed the right to continue in office in the next government because his party emerged as the largest after the May 26 general election. The other two parties engaged in coalition talks say the issue must remain open for negotiation.

The advisory council of Democrats '66 has rejected Mr van Agt as Prime Minister on the grounds that he could not head a left-of-centre government after four years as leader of a centre-right coalition with the Liberal Party.

Mr Jan Terlouw, who heads Democrats '66 said the prime minister should come from one of the left-wing parties.

Mr Max van den Berg, chairman of the Labour Party, said in a radio interview that the Christian Democrats' claim to provide the Prime Minister posed a severe problem for the coalition negotiations.

While the Christian Democrats' 48 parliamentary seats would make them the largest party in a coalition with Labour and Democrats '66, these two parties argue that, with 44 and 17 seats respectively, they together form a large left-wing block.

The problem of personalities has arisen before any agreement has been reached on the substantive issues of the coalition talks. MPs will have their first chance today to consider a social and economic programme for a new government. Talks so far have been confined to the three party leaders and the two christian democratic mediators appointed by Queen Beatrix.

● The Dutch central bank yesterday announced it will suspend credit controls, in force for the past four and a half years, because sluggish credit demand has made them superfluous. Controls will be lifted for the second half of 1981 and the bank will decide towards the end of the year whether to reimpose them or lift them for good.

The credit limits were introduced at the start of 1977 in an attempt to control the increasing volume of bank lending and to restrain inflation. The recession has so reduced demand for credit that they have become unnecessary. In April 1980, the central bank lifted limits on consumer credits imposed the year before for the same reason.

Under the limits commercial banks could make unrestricted lendings from long-term borrowings but were only allowed a 6 per cent increase this year of credits not backed by borrowings of more than two years. Most banks were permitted a 5 per cent rise in credits while the remaining 1 point was given to the smaller Dutch banks and to foreign banks without access to large savings deposits.

The restrictions, backed by the threat of the compulsory, interest-free depositions with the central bank or of a warning from the bank, initially had a real impact on lending. But over the past year or so, only the smaller and foreign banks have been affected.

West Germany 'could become war flashpoint'

MOSCOW—A decision to deploy new U.S. nuclear missiles in West Germany could make that country the flashpoint for another world war, Marshal Dimitry Ustinov, Soviet Defence Minister, said yesterday.

Marshal Ustinov, writing in Pravda, said the Nato plan to instal U.S. Pershing and Cruise missiles in Europe made West Germany and other Western allies targets for "destructive retaliation."

Bonn's support for the plan "can again make West German soil the place where the flame of yet another destructive war blazes up," he said.

The U.S. and its allies had embarked on an unprecedented growth in military spending. The Soviet Union had never advocated the arms race, "but if we are forced to do so, we will match any challenge and match it effectively."

The Minister's comments were in line with recent Moscow criticism of the Bonn Government.

Marshal Ustinov's article marked the 40th anniversary of the German offensive on the Soviet Union.

Reuter

EEC at odds with U.S. [illegible] on North-South strategy

BY JOHN WYLES IN LUXEMBOURG

EEC GOVERNMENTS yesterday agreed a detailed approach to the North-South negotiations in September based on a doubling of the World Bank's capital and other development measures which appear to leave the Ten fundamentally at odds with the U.S.

The strategy endorsed by Community foreign ministers in Luxembourg will be defended by the heads of the British, West German, French and Italian governments at next month's seven-nation world economic summit in Ottawa.

Canada's Premier Pierre Trudeau, the summit host, has declared that the North-South issue will be one of the meeting's major themes. He would like it to fix the industrialised world's approach to the North-South summit in Mexico.

However, there is a wide gulf between the European and U.S. positions as M Claude Cheysson, France's Minister for External Affairs, stressed. "If America goes to Mexico with attitudes which have been apparent during the past months, then nothing will be achieved," he said.

Yesterday's discussion focused on a document prepared by senior officials from EEC foreign offices which will be formally approved by the Community summit in Luxembourg

In contrast to the Reagan Administration, which prefers to deal bilaterally with developing countries, the Community favours a multilateral approach to development through expanding the role and resources of international agencies including the World Bank, the International Development Agency and the International Monetary Fund (IMF).

The EEC document says international institutions' development operations must be strengthened. This means adding to the IMF's financial resources, while retaining the necessary conditions attached to its credits and preserving its monetary character. The World Bank's capital must be doubled and the International Development Agency's sixth refinancing implemented.

Of particular importance is the EEC's support for the creation of a World Bank affiliate to deal with energy. Its aim would be to involve oil producers in "co-responsibility" providing a steady growth in multilateral financial aid for developing countries.

As Britain prepares to take the chair at the Council of Ministers, the Second Lamb War is looming, writes **Larry Klinger**

The bleat of battle sounds again in the corridors of Brussels

"THE BLEATING is over." wrote the "The Economist" last autumn when the European Community's Agriculture Ministers agreed on a Community-wide marketing scheme for lamb and mutton.

Indeed, it seemed that the final truce had been declared in the two-year Anglo-French Lamb War over Paris's unilateral and illegal ban on British imports to protect French farmers from lower prices.

But the bleating did not stop, and if the current moves to solve the renewed row over UK lamb exports to France fail, the ensuing racket could prove an acute embarrassment to the British Government.

The argument has already resulted in:

● Mr Peter Walker, the British Agriculture Minister, having a set-to with the French Agriculture Minister;

● Mr Walker blocking measures required to implement decisions by the Council of Ministers, the most pressing of which is the sugar marketing scheme due to begin on July 1;

● M Gaston Thorn, the European Commission President, criticising Mr Walker's tactics as undermining the Council of Ministers' credibility;

● The French reopening the whole question of Britain's special arrangements for its domestic lamb market.

The issue at hand is the sinister-sounding "clawback," which is simply European Community jargon for a levy on British lamb exports to the continent designed to ensure that the UK system of guaranteeing producers' incomes does not act as a subsidy for sales elsewhere in the Community.

The trouble is that, during the autumn talks which led to the new marketing scheme, the British got their figures wrong. Instead of the Lamb War "treaty" opening up the French market as the UK intended, it made exports increasingly unprofitable.

To be fair, while Britain in one sense may have lost the war, it won its most important battle. Mr. Walker obtained, against strong opposition, approval for Britain to maintain its special sysetm of guaranteeing incomes while allowing the lamb to flow to the home market at the best price for the customer.

The British farmer is given a subsidy equal to the difference between the market price and the Community-approved guaranteed price.

The "classic" continental system, and the one strongly subscribed to by the French as consistent with the tenets of the Common Agricultural Policy, is to buy and store seasonal surpluses at a guaranteed price. Incomes are maintained by propping up the market price.

There is almost endless argument over which system is "best" and which in the long term is the most cost-effective, but British producers' returns have certainly grown considerably in the short term.

This is in large part due to the high level of the subsidy which, much to British joy, is no longer the sole responsibility of the UK Treasury but is paid by the Community as a whole.

However, to integrate the two systems the "clawback" is imposed, meaning that the British exporter must pay a levy equal to the subsidy which was granted.

When the British negotiated the high guaranteed producer price—some say they simply got greedy—it was overlooked that the related size of the "clawback" might curtail profitable exports. And, with the lambs staying at home, Mr. Walker was forced to go back into battle for his export traders, reopening the old wounds of the Lamb War without this time necessarily having right on his side.

His negotiating tactics have been widely criticised as excessively heavy-handed. Not only did M. Thorn weigh in with his strong words, but some ministers, notably Herr Hans Juergen Rohr, the West German Secretary of State for Agriculture, described the blocking of the other decisions as typical British over-reaction.

However, while most other ministers felt the issue could be resolved after the French legislative elections last weekend, the British felt they had no alternative to "getting tough."

Mr Walker had received the Council of Ministers' backing during the April farm price fixing for the Commission to propose a "short-term" solution to the problem after the French presidential elections in May.

After much wrangling within the Commission and successful pressure from France to keep any proposal subject to its veto, the Commission came up with a proposal which would have lessened the impact of the "clawback" but only by adjusting the producers' guaranteed price system.

This was angrily rejected by Britain. The row has now reached such a pitch that a quick solution may prove difficult indeed, especially since France has tabled an "analysis" of the problem calling into question basic aspects of Britain's marketing arrangements.

The Commission is now expected to produce further proposals, and the hope is still that, with the French legislative elections out of the way, the French Government will be willing to accommodate Britain on this politically touchy subject.

If not, Mr Walker may find himself next month taking over the presidency of the Council of Ministers, while personally committed to fighting a disruptive battle and blocking decisions which affect the interests of Community members not immediately concerned in the dispute.

NZ leader seeks new trade pact

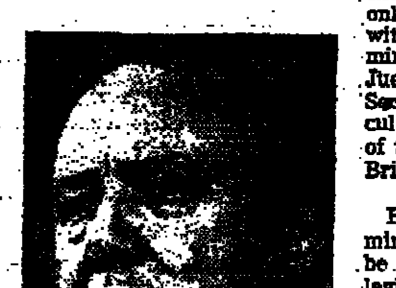
BY ROGER BOYES IN BONN

THE EEC should negotiate a formal trade agreement guaranteeing it access to all New Zealand's farm products, Mr Robert Muldoon, the NZ Prime Minister, said yesterday. He wants the trade talks to run parallel with the current review of the Common Agricultural Policy.

Mr Muldoon, who met Chancellor Helmut Schmidt yesterday, said the West German leader was most "receptive" to his idea. Mr Muldoon said he had also met with positive reactions in earlier meetings with Mrs Margaret Thatcher, the British Prime Minister, President Francois Mitterrand of France, and senior European Commission officials.

New Zealand's transitional agreement with the Community, which guarantees access to European markets, ran out at the end of last year. Mr Muldoon now believes that two factors, the change of Government in France and the pressure for change in the CAP, will help his case.

He claimed it was in the interests of both Wellington and the Community that New Zealand be removed from the EEC agenda—a reference to the sometimes difficult annual negotiations with the Commission. Mr Muldoon believes a comprehensive trade agreement would remove this irritation in relations.



● Mr. Muldoon . . . positive reactions.

هكذا من الأصل

Libya may cut oil price to $36 a barrel

BY PATRICK COCKBURN

LIBYA MAY be ready to cut the price of its oil from $41 to $36 a barrel, according to the authoritative Petroleum Intelligence Weekly.

The cost of high-priced light crudes have come under particular pressure in recent months. Britain last week reduced the price of its North Sea oil, previously linked to North African prices, from $39.25 a barrel to $35.

Libyan production has apparently fallen to 1.1m b/d from 1.6m b/d in March, the weekly says. Contract buyers have threatened to phase out of third-quarter contracts unless prices are cut.

A cut in prices by Libya, one of the most militant members of the Organisation of Petroleum Exporting Countries, would force Algeria and Nigeria to reduce their prices.

Pricing, the evolution of the oil market and long-term strategy were discussed yesterday by oil Ministers from Algeria, Libya, Nigeria and Gabon, meeting in Algeria.

The reduction in the demand for oil in the West as the result of the economic depression and conservation measures has made the 10 per cent production cut made by most OPEC countries last May look totally inadequate.

Only a decision by Saudi Arabia to reduce its output from 10.3m b/d to about 8m b/d would now steady the market.

A decision by Libya to slash its prices will also make it extremely difficult for Mexico to reverse its price cut introduced on June 1. The cut of $4 a barrel by Pemex, Mexico's state oil company, was heavily criticised and the head of the company forced to resign.

Arab League pessimistic on chances of solving Lebanon crisis

BY JAMES BUCHAN IN BEIRUT

THE ARAB League committee attempting to resolve Lebanon's internal political problems meets in Jeddah today in an atmosphere of pessimism.

The best that is expected from the Saudi and Kuwaiti-led effort is a renewed commitment to a ceasefire between the main Christian grouping and the loose coalition of Moslem and left-wing forces allied with Syria.

The ceasefire, in force since the conference in Lebanon two weeks ago, has been consistently breached — most seriously on Saturday when one person was reported killed and 11 injured in shelling of the Christian quarters of East Beirut.

Today's meeting of the Foreign Ministers of Lebanon, Syria, Saudi Arabia and Kuwait, as well as the Secretary-General of the Arab League, will prepare for a second conference in Lebanon on July 4.

The focus of attention is on the largely Christian town of Zahle, in East Lebanon, which has been invested by Syrian peace-keeping troops of the Arab Deterrent Force (ADF) for over two months.

Over the weekend, plans were discussed for the withdrawal under safe conduct of the 200-odd remaining Christian militiamen in the town, their replacement by gendarmerie and the lifting of the blockade.

Gen Ali Al-Shaer, Saudi ambassador in Beirut, was predicting success on Saturday—but a visit to Damascus that evening by Gen Sami Al Khatib, Lebanese head of the Arab Deterrent Force, seems to have produced no result.

Mr. Philip Habib, the U.S. special envoy charged with attempting to calm the tension between Syria and Israel over the missiles, arrived in Beirut from Jeddah yesterday.

Israeli voters head towards a fragile coalition

BY DAVID LENNON IN TEL AVIV

DOMESTIC POLITICS in Israel have run a poor second in recent months to some extraordinary foreign policy decisions by Mr Menahem Begin, the Prime Minister. But every one—the attack on Mr Helmut Schmidt, the West German Chancellor, the ultimatum to Syria over Lebanon, the raid on Iraq's nuclear reactor—has provoked charges of electioneering. For, in seven days, the verdict must be passed on a bitterly fought general election campaign.

When the pre-election fireworks die down, the Israeli voters on June 30 will have a record number of 31 parties to choose from. But the real contest will be between the two big parties, Mr Begin's Likud and Mr Shimon Peres's Labour Party.

The opinion polls show the two big parties dividing 85 to 90 of the 120 Knesset seats between them. The remainder will be shared among perhaps another dozen.

No party has ever won an absolute majority in an Israeli election, and this year is expected to be no different. It is the need of the big parties to find coalition partners which gives strength to the smaller contestants. In the 1977 elections only two other parties won more than 10 seats, with the other eight who made it to the house controlling from one to five.

Israel holds elections to parliament, the Knesset, every four years. There are no constituencies in the proportional representation system. Each party publishes a list of candidates in the order of priority worked out by the party and votes are cast for party lists.

Parties gain Knesset representation in accordance with their proportional share of the votes cast by the 2.5m. Thus if a party wins 45 seats, the first 45 people on its list enter the house. If a member dies or resigns the next person on the party list takes his place.

Cabinet ministers do not have to belong to the Knesset and, if elected, may step down from the house once appointed to make room for another party member to enter the house.

The largest party in the last Knesset was the Likud block, with 45. Opinion polls show it is likely to win a similar number this time round and again to be the largest in the house.

Likud is a union. It combines the populist, nationalist Herut party of Mr Menahem Begin, which draws its main support from the less well off and the less well educated, with the economically conservative Liberal Party favoured by small businessmen.

This combination makes it hawkish on foreign policy while tending towards free market economic theories. It wants Israel to retain all the occupied territories while granting limited autonomy to the 1.2m Palestinians living on the West Bank and in the Gaza Strip.

● The Telem party of Mr. Moshe Dayan, left, and the Tami party of Mr. Aharon Abuhatzira, right, may prove crucial in any coalition-bargaining.

The Labour Party won only 32 seats in the last Knesset and because of that lost power after 29 years of uninterrupted rule. Earlier this year, the polls predicted it would return to power in a landslide victory but in the past two months its lead has been slipping away and the polls now have it trailing slightly behind Likud.

The Labour Party draws its support from the middle and upper classes, those with higher education and higher incomes. These supporters tend mainly to be immigrants from the West

The party advocates a pluralistic mixed economy with considerable government guidance. It is slightly less hawkish than the Likud on foreign policy

The traditional third block in the Knesset are the religious parties. Of the three, the largest until now has been the National Religious Party, which has sat in every coalition since 1952. It draws its support from the mainstream of religiously observant people in Israel and acts to defend their interest and expand the influence of religion in basically secular matters. It had 12 seats in the last Knesset.

The religious parties have consistently held a block of 15 to 18 seats in the house over the years. It will be interesting this time to see if the splits in the National Religious Party will weaken its dominance and how many seats will be won by Tami, a new party created by the party's Religious Affairs Minister, Mr Aharon Abuhatzira.

Tami is running on an ethnic platform. All its candidates are Jewish immigrants from North Africa or their descendants. Tami appeals to the oriental immigrants to vote for it so that it can end the discrimination against them in Israel. Not all its candidates are religious.

The other interesting new party is the Telem list of Mr Moshe Dayan, the former Labour Party Defence Minister who joined the Begin Government as Foreign Minister in 1977 and then resigned last year. He has been joined by Mr Yigal Hurvitz, the former Finance Minister who also resigned from the Begin Cabinet.

Telem's main foreign policy concern is the future of the West Bank. Mr Dayan opposes both Likud's tendency towards annexation and Labour's proposed territorial compromise. He wants Israel to impose autonomy unilaterally on the Palestinians in the occupied territories.

The polls are a little uncertain about the prospects of Tami and Telem. Although the current forecast is about three seats each, they may pick up additional seats from the large number of floating voters. In any event, they, together with the National Religious Party, are likely to be at the centre of the coalition-making process because these three are ideologically capable of joining either Labour or Likud.

Despite the recent swing to Likud, some people in Israel suspect the vote may be so close and so splintered that neither party will be able to form a stable coalition. They beleive new elections may have to be held within a year.

Bangladesh 'foils Soviet electronics smuggling bid'

BY SAYED KAMALUDDIN IN DACCA

A SOVIET attempt to smuggle about 10 tons of sophisticated electronic equipment into Bangladesh by a special Aeroflot flight was foiled last week, it was learned yesterday.

According to airport officials in Dacca, a special Aeroflot cargo flight with 140 crates of cargo landed last Tuesday night. On Saturday, Soviet Embassy officials travelled to the airport in trucks, bypassing the security check without authorisation.

Officials say the Russians tried to load the trucks and when challenged by airport authorities, again failed to produce the necessary authorisation.

When Bangladeshi security officers opened one of the crates, they are said to have found sophisticated communication equipment, including a frequency analyser which enables the user to monitor wireless communications, radio signal generators and transmitters.

A Soviet diplomat is said to have physically assaulted one of the local officials for taking photographs of the equipment.

A Bangladesh foreign office spokesman said yesterday that the "imports" were unauthorised and that no information about the equipment had been supplied to the ministry by Moscow. Markings on the crates said they contained construction materials.

A diplomatic row is almost certain to follow the incident and the foreign ministry spokesman said that a report on the incident was being prepared.

Under the Geneva Convention, he added, any foreign embassy was obliged to submit a list of prepared imports for clearance.

S. Africa split averted

BY BERNARD SIMON IN JOHANNESBURG

A SPLIT in South Africa's ruling National Party has again been averted, despite open policy differences between two senior Cabinet Ministers. The result, however, is a victory for the right-wing forces in the Government.

The row came to a head at an executive committee meeting of the party's Transvaal branch when Mr Fanie Botha, Minister of Labour refused to support an unqualified motion of confidence in Dr Andries Treurnicht, the Transvaal leader.

Dr Treurnicht, spokesman for the party's ultra-conservative "Verkrampte" wing had earlier angered Mr Botha by implying in a public speech that the Government's labour policies were undermining the position of white workers.

The two men patched up their differences at a private meeting over the weekend. After the meeting, Mr Fanie Botha pledged his "wholehearted" support for Dr Treurnicht.

China ready to replace leader

CHINA'S CENTRAL committee began its long awaited plenary session at the weekend, according to unofficial reports from Peking, Colina MacDougall writes. Chairman Hua Guofeng is expected to be replaced by Party General Secretary Hu Yaobang, and a critical reassessment of Chairman Mao approved.

The meeting may not go according to plan, however, as the radical group supporting Hua is evidently still strong. Yesterday, a leading Chinese left-wing general called in the People's Daily for strict adherence to political orthodoxy and revolutionary ardour.

Australia N-study

A group of Australian industrialists has teamed up for an A$500m (£294m) feasibility study to move the country towards a fully-integrated nuclear industry, Colin Chapman writes from Sydney.

The consortium, which includes CRA, North Broken Hill Holdings, British Nuclear Fuels, BP Australia, Western Mining and the South Australian Government, are to examine the establishment of a uranium conversion plant at Port Pirie, South Australia.

Sanctions ruled out

Mr Robert Mugabe, Prime Minister of Zimbabwe, said the country could not join in trade sanctions against South Africa, Reuter reports from Salisbury.

Sattar nominated

The ruling Bangladesh Nationalist Party nominated acting President Abdus Sattar as its candidate in the September 21 presidential election, our Dacca correspondent reports.

Sadat accusation

President Sadat of Egypt has accused opposition parties of last week inciting the country's worst sectarian violence for years, writes our Cairo correspondent.

A quarrel between Christians and Moslems led to fierce street fighting in a north Cairo slum area. Four people died from injuries on Sunday, bringing the death toll to 14.

Talks in Cairo

Egyptian, Israeli and U.S. negotiators began two days of talks in Cairo yesterday, the first in the city since Israel's attack on Iraq's nuclear reactor a fortnight ago, writes our Cairo correspondent.

The talks are concerned with the setting-up of an international peace keeping force to patrol Sinai after the final Israeli withdrawal, due next April.

Casablanca 'killings'

More than 30 people were killed and hundreds injured in Casablanca at the weekend when security forces fired on demonstrators during a general strike, the Moroccan opposition Socialist Party, claimed yesterday, Reuter reports.

Company Meeting

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION LIMITED

The Forty-eighth Annual General Meeting of Shareholders of The Scottish Agricultural Securities Corporation Limited was held within the office of the Bank of Scotland at The Royal Highland & Agricultural Society of Scotland Showground on 22nd June 1981. Mr. D. Bruce Pattullo, Treasurer and General Manager of the Bank of Scotland, Chairman of the Corporation, presided and, in moving the adoption of the Report and Accounts, said:

The past year has regrettably seen a drop in activity with a net increase in lending of only £185,000. One cause was the unusually high figure for premature repayments by borrowers where the total for the year was £806,000 compared with £493,000 for the previous year. However the generally depressed state of agriculture and the willingness of the Joint Stock Banks to offer longer term loans have been the main factors. In addition, there is no doubt that many farmers, at a time when there was hope of a further decrease in interest rates, have hesitated to borrow long term from the Corporation at a fixed rate of interest and have instead arranged short term facilities with their bankers. After a year at 16%, the Corporation's interest rate was reduced to 15% in December 1980. Although it appeared at one time that a further reduction might be possible the recent upturn in money market rates, which determine the basis upon which a Debenture issue can take place, has made this less likely.

The increase in the profit of the Corporation before taxation to £620,035, compared with £574,688 for the year to 31st March 1980, reflects the temporary benefit of funding new loans mainly from the repayment of existing loans granted earlier at a lower rate of interest. However, the redemption of £1 million of 6% Debenture Stock on 1st July 1981 will have an adverse effect on the profit for the current year. This is the first of the Corporation's Debenture Stocks to be redeemed but from now onwards the low coupon Debentures will gradually fall due for repayment.

During the year an Extraordinary General Meeting was held when it was agreed that £375,000 of the General Reserve be capitalised and that a further 375,000 ordinary shares be created and issued fully paid to ordinary shareholders on the basis of three shares for each share held. Your Directors felt that the increase created a better balance between share capital and loan stock. In the Accounts the General Reserve has been included in the Revenue Reserve; it was felt that there was no good reason for retaining two items which served the same purpose. The reduction in tax liability and the absence of expenses of issue of Debenture Stock resulted in the surplus carried to Reserve this year being increased from £128,860 to £285,373.

The past year has been very difficult for farmers. Once again an increase in costs has not been balanced by a comparable increase in prices received. The low return on capital throughout the industry and reduced cash flow last year has resulted in a sharp increase in total borrowings. This is not healthy and even if the prospect of a better harvest is realised in conjunction with firmer prices for livestock and dairy products, there will be very little cash available in the short term for new investment.

I am grateful to Mr. McTurk, Manager of the Corporation, and his colleagues for their work throughout the year.

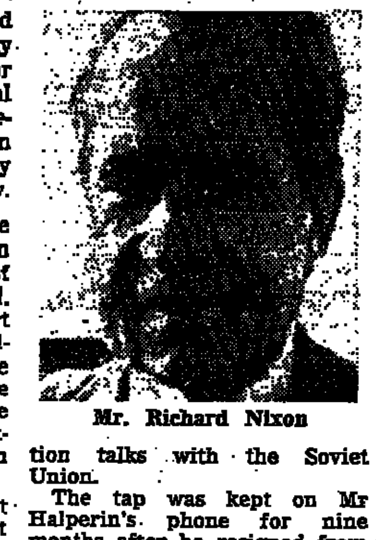
The Report and Accounts were formally approved and adopted and a dividend of 3½ per cent duly declared.

AMERICAN NEWS

Nixon may face charges over telephone tapping

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

FORMER President Richard Nixon and his senior aides may be liable to prosecution for violation of the constitutional rights of people whose telephones were illegally tapped in 1969-71. This was decided by the Supreme Court yesterday.


Mr. Richard Nixon

The court's four-to-four vote on a case, brought by Mr Morton Halperin, a former member of the National Security Council, means that an Appeals Court ruling in support of Mr Halperin's action is upheld. Justice William Rehnquist did not take part in the ruling because he served in the Justice Department during Mr Nixon's term of office.

The court indicated that it wanted to take a second look at presidential immunity by agreeing to hear arguments on a separate case in which Mr Nixon is charged with having improperly brought about the dismissal of another government employee, Mr Ernest Fitzgerald, a well-known Pentagon "whistle-blower" (a leaker of information).

Mr Halperin was one of 17 government officials and journalists whose telephones were tapped when the Nixon Administration was concerned about a number of key foreign policy leaks to the Press—involving Vietnam, the Middle East and strategic arms limitation talks with the Soviet Union.

The tap was kept on Mr Halperin's phone for nine months after he resigned from the Government in protest at the bombing of Cambodia. No evidence has ever been produced that he was the source of the leaks.

Also named in his suit are Dr Henry Kissinger, then head of the National Security Council, Mr John Mitchell, then Attorney-General and Mr H. R. Haldeman, then White House Chief of Staff. The court yesterday dismissed a petition from Mr Haldeman that he be granted immunity.

The court's ruling now leaves it open for Mr Halperin to pursue his case in the lower courts.

David Buchan in Washington and Colina MacDougall in London report on China's armed forces

How the U.S. could rearm Peking's military machine

THE ONE tangible result of Mr Alexander Haig's visit to Peking last week was the U.S. decision to allow China to buy limited quantities of lethal weapons. This, plus the admission that the U.S. had set up a missile-tracking station inside China to monitor what was going on in the Soviet Union, raised the Sino-U.S. relationship to a very different level.

It also suggested the U.S. was intent on keeping up its relationship with Peking rather than Taiwan. Both Moscow and Taipei were sharply critical of the proposed injection of military strength into China. Taiwan reacted with predictable, if unjustified, alarm. From Moscow's viewpoint, it has shifted the global balance of power. But what will it add up to in terms of improved Chinese military capacity, when Peking is broke and already 15 to 20 years behind?

China's forces are quite outclassed by those of its neighbours. Mainly equipped with 1950s weapons, they will take years and huge sums of money to modernise.

Peking has, of course, a nuclear capability, but its delivery system is not good. Last year it successfully tested its first Intercontinental Balistic Missile and it has a fair number of medium-range missiles. But its missiles are probably still liquid-fuelled. It has no second-strike capacity.

A long way after this strategic force comes the army of 3.6m men, equipped with about 12,000 old Soviet or Soviet-type tanks. It has some surface-to-surface missiles and a few wire-guided anti-tank weapons, but otherwise mainly old-style artillery.

The air force has 5,000 or more aircraft, about four-fifths of them fighters, of which most are old MiG17s and 19s or Chinese copies. Of the remainder, about 550 are light and medium 1950s-vintage Soviet bombers. Despite the numbers, aircraft are precious in China; in the 1979 war with Vietnam, the Chinese tried not to use them.

The navy is largely a coastal defence force, but has about 100 submarines with one nuclear vessel which is reported never to have functioned properly. A second is thought to be undergoing trials. It has fewer than 40 major surface combat ships, only about half equipped with surface-to-surface or surface-to-air missiles.

Industry, and consequently arms production, made little progress in the 1960s and 1970s because of constant political struggles. Even many Chinese seem to have lost faith in their ability to manufacture arms.

The 1979 Vietnam war revealed how inferior Chinese artillery was, lacking night-vision sights or automatic range-finders. The export of Chinese-made MIGs to Pakistan has shown up their inadequacy compared with the genuine Russian article, which is more versatile and needs servicing less frequently.

To update this military leviathan would cost in the region of $300bn, according to one military specialist. Weapons expects have said that no one European defence industry—or even all together—could more than dent the problem, while the U.S. arms industry is already under strain without fulfilling vast Peking orders. Re-equipment on any scale would take a decade to have significant effect.


Mr. Haig, right, meets Deng Xiaoping.

China has been window-shopping in Europe since 1977, but has bought very little. Helicopters have been important: France's Aerospatiale sold 30 in 1977 and another 50 last year. West Germany's Messerschmidt-Bolkow - Bloehm despatched three and Bell (of the U.S.) eight in 1979. However, the 1977-80 haggling, apparently on price, over the British Harrier jump jet fighter, came to nothing.

In 1975 the Chinese bought an £80m production line, plus technology, for the Rolls-Royce Spey engine, intended to power a supersonic Chinese fighter. This is now completed, but not operating. The Chinese could not design an airframe to put it in.

In the 18 months since Mr Harold Brown, the former Defence Secretary, announced after a trip to Peking that China would be allowed to buy non-lethal military equipment, the U.S. has had much the same experience. Some 40 export applications have been made by U.S. companies, but few have come to fruition—the most notable being the sale of Cessna aircraft with special photographic equipment.

While small packages like this may have some effect, the problems remain enormous. Ill-equipped Chinese infantrymen are sitting across the border from 42 well-armed Soviet divisions.

The Chinese are at a worse disadvantage in the air. Their MiGs lack an all-weather capability, air-to-air missiles or ground-attack weapons. For air defence, the Chinese rely on guns, plus a few old surface-to-air missiles.

In the tank warfare which would seem most likely in the open Sino-Soviet border country, what the U.S. could supply might be of some small help. Americans would probably be happy to sell the Chinese such middle-range, defensive arms as anti-tank and anti-aircraft missiles.

American sales to China are even less likely to affect the military balance with Taiwan. China is way behind and, crucially, Taiwan is divided from the mainland by 120 miles of sea. The worst hazard is a possible shipping blockade.

On the other hand, American input could make some difference along the Sino-Vietnamese border. In 1979, Chinese forces performed badly because they lacked modern artillery, communications and air cover. But quantities and rates of delivery are unlikely to be great enough to make the Chinese trigger-happy. In any case, the terrain—mountain and jungle—is best suited to infantry with rifles. In its infantrymen, China already excels.

Australia and New Zealand voiced reservations yesterday about some aspects of U.S. policy in Asia outlined by Mr Alexander Haig, the U.S. Secretary of State, Reuter reports from Wellington. Mr Haig has been urging increased efforts to isolate Vietnam if it does not withdraw its 200,000 troops from Kampuchea.

But, according to Mr Brian Talboys, New Zealand's Foreign Minister, during yesterday's meeting of the Anzus Council, which groups the three allies, "there was some discussion on the extent to which present policies might be pushing Vietnam further into the arms of the Soviet Union." Mr Tony Street, Australia's Foreign Minister, said however, that Australia had decided Vietnam's invasion of Kampuchea was totally unacceptable.

Air control strike averted

BY DAVID LASCELLES IN NEW YORK

A LAST-MINUTE agreement struck at dawn yesterday averted what could have been a damaging strike by 17,500 U.S. air traffic controllers. Flights were reported to be leaving on schedule, much to the relief of thousands of travellers who had been making emergency plans in advance of the strike deadline of 7 am.

Details of the deal reached between the controllers' union and the Federal Aviation Administration were not immediately disclosed. However there were indications that the union had given ground, and that the shape of the final package would not seriously damage the Reagan Administration's efforts to hold down pay increases

The tentative agreement, according to the union is worth $39.6m. This is almost exactly the same value as the $40m that the FAA put on its offer last week. That was rejected by the union as inadequate. The union said yesterday that the offer had been "reapportioned" and was "fair" in its new form.

The Administration wants to hold federal pay increases to 4.8 per cent this year. The original demands by the union would have increased the average controller's pay by over 30 per cent.

Atlanta investigation to continue

BY DAVID BUCHAN IN WASHINGTON

THE FIRST apparent break in the unsolved string of murders of young Atlanta blacks, which has stirred national concern and racial controversy, has come with the arrest of a 23-year-old black photographer, Mr Wayne Williams.

Mr Williams was charged with the murder of the twenty-eighth and latest victim in the killings which have haunted the city's black community for nearly two years.

The Atlanta authorities have played a legal cat-and-mouse game, extraordinary even by U.S. standards.

The Williams case, which raises in the acutest form the clash between freedom of the Press and right to a fair trial, started on June 3 when he was picked up by police, questioned and released without being charged.

Still under police surveillance, Mr Williams called a Press conference "to clear the air," on condition that he was not named in the media. Almost without exception he was.

His lawyer went to court last week seeking an injunction that would among other things bar the Press expressing an opinion on his guilt or innocence and from predicting an outcome to a trial.

The newspapers argued that Mr Williams had become a public figure in the course of the proceedings and that he was thus fair game for Press exposure. All this led the judge to ask: "Can the Press create a public figure, then rely on that as a defence in publicising him?" The injunction had not been ruled on at the time of the arrest.

Mr Williams's lawyer said her client now at least "has a chance of responding in an appropriate forum to what he has been accused of."

Mr Lee Brown, Atlanta's police commissioner, said yesterday that the 70 detectives on the case would continue their investigation despite the arrest.

£250m prop for Canada's textiles

BY VICTOR MACKIE IN OTTAWA

THE Canadian Government is to spend C$250m (£104m) over the next five years to prop up the clothing and textile industry. In addition the Administration will provide renewed quota protection.

Mr Herb Gray the Minister of Industry, said at the weekend the $250m would be used to modernise plants and help unemployed workers find new jobs.

He said the Government hopes companies will invest C$4bn of their own money to modernise the industry over the next nine years.

The Federal funds will help companies acquire up-to-date machinery, improve their efficiency and upgrade their workforce.

Mr Gray said the Government had decided to continue its protectionist policies because assistance was vital to keep the industry operating. The industry has greeted the announcements with delight.

Mr Frank Brady, chairman of the Canadian Textiles Institute, said: "We are extremely pleased with the decision."

The textile and garment industries in Canada employ about 190,000 people — more than half of them in Quebec and most of the remainder in Ontario.

Existing import quotas, in the form of bilateral agreements with 17 countries, have limited the foreign share to about 26 per cent of total textile sales and about 16 per cent of clothing sales. Total value of imports last year was C$1.6bn.

The quotas were due to expire at the end of December, but they will now be re-negotiated.

Consumer advocates in Ottawa estimated the quotas cost the average family about C$100 a year by limiting competition. Imports from such countries as Britain and the U.S., which do not have cheap labour, are not affected.

About one-half of the $250m will go to helping workers in communities heavily dependent on the industry. Besides providing new training, it will help others take early retirement

Colt have bad news for the 'gloom and doom' industry.

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France go-ahead to ship delivery

BY DAVID WHITE IN PARIS

THE FRENCH Government yesterday gave the go-ahead to delivery of naval vessels to Iran and Argentina, which had been suspended during the election period.

The approval is an important gesture towards reassuring France's clients about the Socialist Administration's commitment to previous contracts. The arms sector is particularly sensitive as the Government has indicated it plans a more restrictive military export policy than its predecessor.

The naval deliveries—an anti-submarine vessel for Argentina and three missile-carrying patrol boats for Iran — were halted by M Raymond Barre, the outgoing Prime Minister, immediately after the presidential election.

The Iranian patrol boats are the last in an order of 12. Six of the vessels, ordered in 1974, were delivered to the Shah's government and three to the new regime in 1979. The others were blocked in Cherbourg during the U.S. embassy hostage crisis until January.

The sale to Argentina is the third and last in a series of A-69 advice-boats, destined for coastal surveillance and armed with Exocet sea-to-sea missiles. The first two vessels, ordered in 1973, were built for the South African Navy but were not delivered because of a halt on French arms sales to Pretoria imposed in 1977.

Austrian tanks for Argentina

By Paul Lendvai in Vienna

THE AUSTRIAN Government has approved the export licence for the sale to Argentina of 57 Kuerassier light tanks manufactured by Steyr-Daimler-Puch, the motor concern that is the country's largest private-sector industrial enterprise. The package deal, including the sale of ammunition and spare parts, is said to be worth about Sch 3bn (£89.8m).

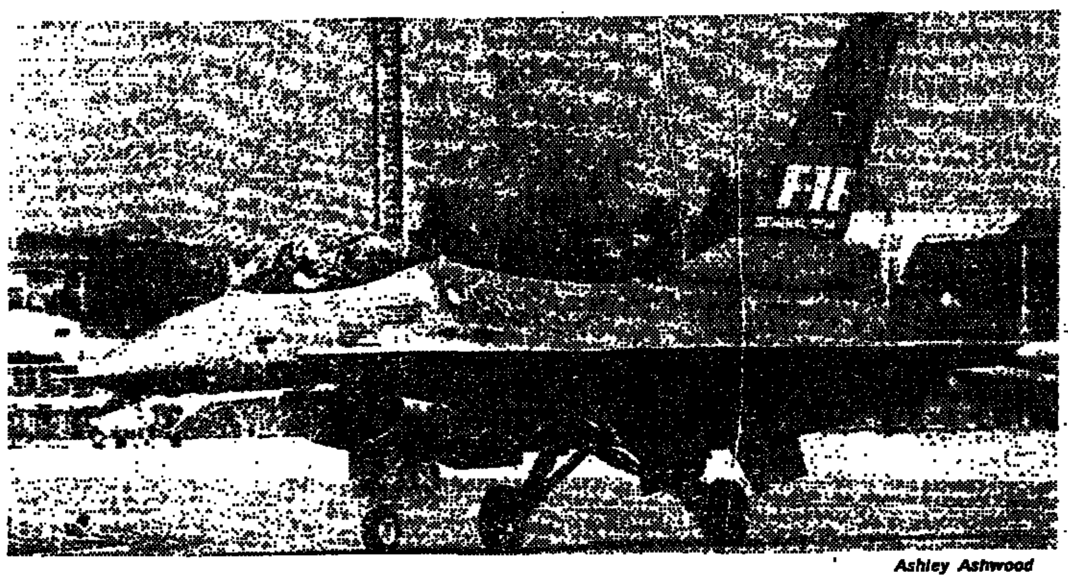
The issue of arms exports to military dictatorships in Latin America has split the ruling Socialist Party and the leadership of the Socialist-dominated Trade Union Federation. Mr Fritz Prechpl, the Socialist MP and chairman of the Austrian Railwaymen's Union and president of the International Federation of Transport Workers Unions, last week threatened that Austrian tanks for Argentina "would not reach their destination."

Last year a massive wave of protest by Socialists and Catholic youth organisations as well as intellectuals forced the Socialist Government to cancel the projected sale of 150 light tanks for Chile.

Since then the economic situation has deteriorated. The long-term survival of Steyr depends to a great extent on at least maintaining its highly-profitable arms manufacturing branch.

The light tank (the cannon is supplied by the French) is popular abroad and Argentina bought 70 in 1978-79. During Chancellor Bruno Kreisky's trip to Saudi Arabia last month, rumours circulated about a Saudi order for 400 Kuerassier tanks.

Such tanks under Steyr licence will be manufactured along with cross-country rifles for military purposes by an assembly plant at Bauchi in Nigeria.



Ashley Ashwood

Australia offered F-16 deal

BY COLIN CHAPMAN IN SYDNEY

GENERAL DYNAMICS, U.S. maker of the F-16 fighter, has offered Australian companies a package deal worth more than A$600m (£342.9m) in an attempt to win the contract to replace Australia's tactical fighters.

Half of this sum would come from Australian companies handling 30 per cent of the manufacture, testing, and parts assembly involving the wings, tail, part of the electronics and the F-100 turbofan engine. The other A$300m would come from American investment in joint venture titanium and aluminium plants.

General Dynamics made its offer as the battle hots up for the A$2,000m contract to build 75 fighters to replace the 17-year-old Mirage fleet. The only other contender, McDonnell Douglas, with its F-18A fighter, is engaged in a similar exercise in trade-offs.

The F-18A has been the marginal favourite but its rising costs, coupled with technical improvements in the F-16, have narrowed the gap. Canberra's defence department describes the issue as "neck and neck."

Mr Milton Cottee, a General Dynamics executive in Australia, said the deal had been put together with the other main partners in the F-16 project, including United Technologies and Westinghouse.

"Although we cannot pre-empt the evaluation team's findings and the government decision, we are confident of getting the order," he said. "We see Australia becoming a major source for other countries getting the F-16, from Pakistan to Korea."

Nissan lifts front wheel drive output

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

NISSAN, the maker of Datsun cars and the second largest motor manufacturer in Japan is to increase the proportion of front wheel drive cars it produces to 20 per cent from 10 per cent. About 10,000 of a total of 22,000 units produced monthly will be exported.

In common with some other Japanese car manufacturers, Nissan has had a low ratio of front wheel drive cars until very recently. But the company has concluded the demand for small cars of this type will rise

All cars produced with engine capacities of 2000 cc or less will have front wheel drive engines in the "not too distant future," Nissan said.

Exports will start "very soon," although no names have been chosen for the export version of the new car holding the engine. The car will be basically similar in dimensions and capacity to the General Motors J car, Nissan said.

The Volkswagen Passat car which Nissan plans to start producing in 1983 will represent a further addition.

Hassan Ali: in London this week.

Path to Baghdad opened for UK businessmen

The war with Iran has not impeded the growth of Iraq's imports, **Patrick Cockburn** reports. The Government is eager to prove it can provide both guns and butter.

IRAQ is the Middle East's fastest developing market for exports. British exports there this year are likely to be worth £500m, making it the third largest Arab purchaser of UK goods, behind Saudi Arabia and the United Arab Emirates.

The war with Iran has not impeded the growth of Iraq's imports. The Government is eager to prove it can provide both guns and butter. Transport difficulties, which created serious difficulties for exporters in the first three months of the conflict, largely have ended although routes are still somewhat congested.

The Iraqis are particularly eager to see more British companies working in Iraq. A sign of this is the technical and economic co-operation agreement to be signed by Mr Hassan Ali, Trade Minister and a member of the ruling Revolution Command Council, in London this week.

With Iraqi state companies sensitive to the way the political wind is blowing, this will ease the path of British businessmen on the way to Baghdad. The private sector is negligible.

The improvement in relations contrasts with the boycott on contracts for UK companies imposed by Baghdad in 1978 in retaliation for the expulsion of 11 Iraqi officials from London.

Fear of a hostile political climate and difficulty in acquiring visas dissuaded British businessmen from trying to enter the Iraqi market during the 1970s. There were easier markets further south in the Gulf. The jailing of two businessmen in Baghdad also cooled UK enthusiasm.

As a result British contractors have had few successes in Iraq. The market has come to be dominated by the West Germans and Japanese. For example, Mitsui said yesterday that it and Toshiba have won a Y35bn (£79.5m) order for equipment for a hydro-electric power station to be built near Mosul.

At a conference of the Council of British Manufacturers of Petroleum Equipment (CBMPE) last week, following a mission to Iraq, a supplier described how he tried to find a bidder for two oil treatment plants for which his company had been invited to bid.

He explained to the Iraqis that his company did not carry out turnkey construction.

He found subsequently that not one of the five British contractors he contacted showed any interest. Most cited political instability in the region as the reason.

Contractors have reason for caution as long as the war continues. Some Iraqi state organisations are prepared to take the exigencies of war into account and be flexible in contract conditions. Others refuse to admit that conditions have changed since a year ago.

Even before the war there were difficulties getting equipment to Baghdad on time, with ships waiting at Basra port for up to 60 days.

The Iraq National Oil Company (Inoc) told the CBMPE British companies had failed in the past to supply sufficient technical data on products, react quickly to inquiries, emphasise after-sales service, or control prices.

Many companies, however, have been unable to do business in Iraq because of the difficulty acquiring visas. The Japanese trading houses, such as Mitsubishi and Sumitomo, with large offices in Baghdad, have the advantage of a presence on the ground. In the last four or five months, the number of UK companies with offices in Iraq has doubled.

Contractors are beginning to have some success. The largest single contract for many years, a £65m road project in Baghdad, was won recently by John Laing International. This may prove to be a portent for the future of British trade.

Once the war with Iran is over, the Iraqis will need to return rapidly to their old level of oil production. This touched 3.7m barrels a day last year. They have ambitious plans to utilise more associated gas.

The Government needs to prove to the people that the war is not setting back economic development.

EEC EXTERNAL RELATIONS

Austria seeks reduction of deficit

AUSTRIA will press for easier access to the EEC and the reduction of its large deficit during sessions of the Austria-EEC mixed commission starting today.

Austria last year had a deficit of Sch 73bn (£2.18bn) with the EEC, writes Paul Lendvai from Vienna.

Specifically Austria will raise the re-imposition of special EEC duties on certain kinds of paper and board, the refusal of Italian customs officers to handle Austrian deliveries of textiles and steel, and compensation for the loss of Sch 70m worth of farm deliveries to the EEC as a result of the inclusion of Greece.

New agreement is signed with India

THE EUROPEAN Community and India today sign a new five-year commercial and economic co-operation agreement to promote trade on a most-favoured nation (MFN) basis under the General Agreement on Tariffs and Trade, Larry Klinger reports from Brussels.

The agreement will be managed by the joint co-operation committee, meeting alternately in Brussels and New Delhi at least once a year. It calls for trade diversification as far as possible and for the promotion of industrial co-operation and investment.

India is expected to request suspension of tariffs on new items.

Switzerland worried about export curbs

SWITZERLAND has suggested an amendment to its free-trade agreement with the EEC, according to Dr Cornelio Sommaruga, the country's federal delegate for commercial treaties, John Wicks writes from Zurich.

This is the signing of a protocol which would suppress in principle quantitative restrictions being imposed on exports.

The free-trade agreement removes customs duties and similar levies on imports but signatories reserve the right to restrict export volumes. Switzerland wants to preclude any situation in which the export of free-trade goods could be cut or stopped.

Commission to probe U.S. sheet sales

THE European Commission has launched an anti-dumping investigation into imports of U.S. produced polyester-cotton sheets and pillow cases, following demands from the British Textile Employers Association, writes John Wyles.

Four UK producers, representing about half of the EEC's output of these products, have claimed that U.S. companies have been selling into the Community at prices about 18 per cent lower than those charged in their domestic market.

It is alleged that imports have risen from 2,253 tonnes in 1978 to 6,148 tonnes in 1980 leading to a rise in the U.S. share of the UK market from 11 per cent to around 38 per cent.

3-D camera focuses on huge U.S. market

By Mark Meredith in Dundee

NIMSLO 3-D formally started mass production of its three-D camera in Dundee yesterday with a sales target of 6 per cent of the huge U.S. amateur photography market.

The world's first full-scale production line of three-D cameras is operating at one of the four Timex plants in Dundee. The sub-contracting operation is an important one for Timex, which is diversifying its production into areas of precision electro-engineering.

Mr George Younger, the Secretary of State for Scotland, said before pushing the button to start production, that Nimslo represented an excellent example of inward investment into Scotland which had a vital part to play in the country's recovery.

The camera, which will sell for $200 (£100) in the U.S., is aimed at the amateur photographer at the lower middle range of the 35 mm camera market.

The total Dundee output of 35,000 to 40,000 cameras a month will be shipped to the U.S., where a test marketing project by the Atlanta-based Nimslo company is due to be launched in July or August followed by a nationwide launch.

Sales in the UK are not expected before the end of 1982.

The three-D camera body looks normal, but inside a single lens projecting in front are four 30 mm built-in lenses. These give four separate pictures which in the printing are super-imposed under a plastic corrugated screen.

The camera uses 35 mm film but the four pictures take the space of two frames so the photographer sees only half the number of pictures advertised on the roll.

Integrated circuits give shutter speeds between 1/50 and 1/500 and lens apertures between f/5.6 and f/22.

Dr. Jerry Nims, co-inventor of the system and chairman of Nimslo European Holdings, said it was the ability to deliver that brought his company to Dundee. He expected to show a profit by the end of 1982.

Nimslo has been promised Government grants worth £2.7m. Officials said that Timex in Dundee was chosen partly because of Timex's previous experience producing Polaroid cameras in Dundee.

Helping the company with the launch of its UK operation has been a £3m issue of shares placed by Carr Sebag & Co and introduced by Mr Graham Dowson, deputy chairman of Nimslo European Holdings. British shareholders hold about a third of Nimslo shares.

The Timex-Nimslo setup at present employs 200 people on camera production but this should reach 800 when full production is reached. About three-quarters of the components are produced at the factory.

The employment figures are some consolation to Dundee, which is about to lose over 400 jobs at the Rob Caledon shipyard facing closure by British Shipbuilders.

Mossmorran closure threat puzzles industry

Sue Cameron on the future of Esso Chemicals' £360m project

SENIOR FIGURES in the Department of Energy and the European chemical industry are wondering whether Esso Chemicals would ever have the nerve to cancel its £360m petrochemicals project at Mossmorran in Fife—as it has threatened.

There are two schools of thought. The first, which seems to have attracted the greatest number of adherents, is that Esso is merely posturing in an attempt to pole-axe potential competition and squeeze a little more aid from the Government at the same time. The second is that Esso is genuinely concerned about the viability of the Mossmorran project—particularly at a time when it is losing money on its UK chemical and refining operations.

Esso Chemicals has already cleared the Mossmorran site in readiness for the new plant, which will have the capacity to produce 500,000 tonnes a year of ethylene — the so-called building block of the petrochemical industry used to make a whole range of products from plastics to solvents.

Most European ethylene plants use the oil-based naphtha as a raw material, but the feedstock for the Mossmorran unit will be ethane gas from the Shell/Esso Brent field in the North Sea. The ethane will come from a natural gas liquids separation plant built by Shell/Esso on the Mossmorran site.

The raw gas will be put through the Mossmorran separation plant and divided into its component streams — propane, butane and ethane. The idea is that the propane and butane should be exported — Shell is sending its 50 per cent share of these gases to the U.S. —while the ethane will go over the fence to the Esso Chemicals ethylene plant.

Shell, which is overseeing the building of the £345m separation plant, stressed yesterday that there were no plans to abandon it. The company added — with some pride—that construction work so far was on schedule.

Shell was a little less forthcoming about the prospects of the adjoining ethylene plant. Although the ethylene plant will be owned and operated by Esso Chemicals, Shell is raising half the money for it, and Shell will have rights to half the material made by it.

Shell and Esso belong to the "gang of four"—the other two members of this elite club are BP Chemicals and Imperial Chemical Industries.

For the last year, the "gang" has been exerting every muscle to obtain priority supplies of ethane from Britain's planned £1.7bn North Sea gas gathering system for use as a petrochemical raw material at Mossmorran, at BP Chemicals' Grangemouth site and at ICI's complex at Wilton on Teesside.

The four want the ethane from the new gas gathering system because it is an extremely economic raw material for making ethylene. But some industry experts believe they also want the ethane themselves so as to stop it going to Nigg Bay on the Cromarty Firth in Scotland where there are plans for a rival petrochemicals complex.

The U.S.-based Dow and the UK-based Highland Hydrocarbons have each put forward proposals for petrochemicals development at Nigg, based on ethane gas from the new North Sea gas gathering system. It is Dow's competition that the "gang" of four fears.

Esso, on behalf of itself and the other three, now appears to do a deal with the Government —or so the argument goes. And that deal, it is said, is along the lines of "we'll go ahead with Mossmorran if you guarantee no other greenfield petrochemicals development in the UK".

Specialists believe the deal would be an excellent one for the "gang". They would thus eliminate competition and provide the only outlet for ethane from the new gas gathering system.

To put it another way, they would have the sellers of that ethane over a barrel in pricing.

Nigg Bay is not thought to have featured too heavily in the formal presentation Esso Chemicals made to Department of Energy officials around two weeks ago. It is understood that Esso gave two main reasons for its decision to consider abandoning the Mossmorran project. The first was the fear of "cost overruns"—although this does not seem to tie in with Shell's excellent timetabling so far on the gas separation plant at Mossmorran. The second was the fear that the Mossmorran chemical plant might not give a good return because of Europe's ethylene overcapacity.

The second plant must raise considerable doubts about Esso Chemicals' planning abilities. The company would have been well aware of Europe's overcapacity in ethylene when it first considered building at Mossmorran.

Dow says that a number of Europe's ethylene plants are old and inefficient. It adds that, during the boom petrochemicals period of 1979 to early 1980, most of the big, cost-effective European ethylene plants were operating at well over 90 per cent capacity. Dow asserts that the UK produces less ethylene per head than any other European country bar Spain—despite Britain's petrochemical raw material resources in the North Sea.

Some people question whether Esso's threat is credible because the company has already spent an estimated £30m on the Mossmorran plant. That's a tidy sum down the drain—even for a group as large and powerful as Esso.

Yet those inclined to take Esso Chemicals' warning at its face value point out that this is the last possible moment for the company to consider cancellation. Once construction starts in earnest—and so far the site has been only cleared —it will be too late for Esso even to consider cutting its losses.

Indeed, there is widespread speculation within the industry that Shell and Esso have offered ethylene from the new plant to Dow. Dow is understood to have refused—but the offer to sell merchant ethylene from Mossmorran would suggest that Shell and Esso are genuinely worried about European overcapacity.

If Esso Chemicals did cancel the Mossmorran plant, it would cause considerable embarrassment to the Government. Cancellation would cause the loss of an estimated minimum of 2,000 jobs in the process plant industry—and the closure of at least two companies.

What would happen to the ethane if the Esso ethylene plant were not built? It could be piped from the Shell gas separation plant at Mossmorran either to BP Chemicals' plant at Grangemouth or to ICI's complex at Wilton for use as petrochemicals raw material. Or it could be absorbed into the British Gas Corporation's system or burned in a power station. Almost everyone agrees that the final alternative would be utterly wasteful.

If the Mossmorran ethylene plant is cancelled, ethane from the new gas gathering system would almost certainly be used in a new petrochemicals development at Nigg Bay.

The "gang" has argued that extra supplies of ethane from the gas gathering system would be needed at the Mossmorran ethylene plant by the early 1990's to top up supplies from the Brent field. In the absence of the Mossmorran chemical plant, the only feasible place for gas from the offshore pipeline to go would be Nigg. The Government's licensing powers in the North Sea place it in a strong bargaining position with groups such as Esso.

Esso Chemicals may be playing games—but at extremely high stakes.

Price rises counter fall in beer consumption

By Gareth Griffiths

SOME BREWERS have been able to increase their profit margins despite the decline in beer consumption, says a report on brewing costs, published yesterday.

The report, by Mr Philip Shaw, brewing industry analyst at brokers L. Messel, argues that the companies which have done best in the past year are those which have been prepared to increase their prices sharply although sales have been falling.

The analysis implies that some of the brewing companies have shed crocodile tears over the fall in beer sales since last May. Beer production in the UK fell by 3.8 per cent last year, with a further fall of around 3 per cent predicted this year. But the crop of brewing company results recently has shown that profits are holding up.

The average pre-interest profit margin on draught bitter fell from 15.9 per cent in 1979-80 to 12.9 per cent in 1980-81 for the breweries.

The next round of beer price increases will start in the autumn, and the main influences on prices will be the need to maintain margins and the barley harvest.

Cyclical indicators support CBI view of standstill in output

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ECONOMIC ACTIVITY may have levelled out from its sharp decline but there are no signs of any recovery, according to the official indicators which are designed to identify turning points.

The Central Statistical Office's cyclical indicators broadly support the view that the recession has levelled out. They are thus in line with expectations of flat output during the rest of the summer, indicated yesterday by the Confederation of British Industry's monthly trends inquiry.

However, there are no sings either from the cyclical indicators or from opinion surveys of a general upturn. Therefore, the optimistic comments of Treasury ministers and others three months ago about the start of a steady recovery do not appear to been borne out yet.

To use the alphabetical comparisons now in fashion, a V-shaped recovery now seems unlikely. What is uncertain is whether the pattern will be L-shaped, with a prolonged flat period, or U-shaped, with a recovery starting after an interval.

The longer and shorter-leading composite indices are continuing to rise. On the basis of past average relationships, both indices have pointed for some time to a bottoming of the recession around the first quarter of this year.

The key uncertainty concerns the coincident index, which should move broadly in line with turning points in economic trends. This index picked up fractionally during the winter and early spring—up from 89.2 (1975=100) last November to 89.8 in March, then fell back to 89.3 in April.

Officials point out that the broadly flat trend of this index gives no indication of any upturn in activity. Confirmation that the trough has been reached must await further observations.

The Central Statistical Office comments that the most recent values of the composite indices as usual are based on only partial information and it is possible that later data may alter

Architects' workload improves

By Andrew Taylor

PRIVATE architects picked up more work during the first quarter of 1981 as the sharp decline in construction activity slowed.

Figures published by the Royal Institute of British Architects show that the value of new commissions increased by 22.1 per cent compared with the previous three months. However, new commissions were still just over 20 per cent lower than in the same period a year ago.

According to the Institute, the value of work at the production drawing stage, at constant prices, was 5.1 per cent higher than in the previous quarter, but 14.1 per cent lower than a year ago.

The Institute warned that the short term improvement might be only a "temporary hiccup rather than a turning point" in the market.

Nevertheless, a number of construction industry indicators have suggested recently that orders and workloads are no longer declining as sharply as in the fourth quarter of last year.

The improvement in architects' workloads reflects a rise in private sector commissions. In marked contrast, the proportion of public sector work fell to 18 per cent in the first quarter of this year compared with 28 per cent for 1980 as a whole.

The institute said: "The continuing decline in work carried out for public authorities is partly explained by the fact that the moratorium on public sector housing was still effective during the first quarter of 1981."

Council leaders attack Bill to limit rate rises

BY ROBIN PAULEY

THE GOVERNMENT was strongly attacked yesterday for planning legislation to control rates even before councils had completed reviews of their 1981-82 budgets in the search for more cuts.

Mr Lionel Plowman, deputy secretary of the Association of Metropolitan Authorities, complained that the Government was negotiating the "crucial business' of local government expenditure by a system of threats and leaks.

He referred to a report in yesterday's Financial Times detailing plans to limit the non-domestic rate by legislation to be introduced in the autumn. The new law will also allow the Government to limit the amount which can be raised from non-domestic ratepayers in the first domestic rate demand of a year and in each supplementary rate demand within the same financial year. This could force some councils to levy three or even four rates within a year on their domestic ratepayers.

Mr. Plowman said: "The Financial Times carried details of legislation to control the rates. AMA representatives saw Environment Secretary Michael Heseltine twice last week. On neither occasion was he able to indicate the likely content of any such legislation.

"Local authorities are at this moment complying with Mr Heseltine's demands that they review their budgets, but clearly someone in the Government is determined that authorities do this against a background of threatened legislation."

Record price for miniature

RELATIVELY bullish price levels prevailed in Sotheby's sale of portrait miniatures yesterday, writes Michael Thompson-Noel. Top price in a sale that totalled £100,845 was the £10,000 paid privately for a miniature by Andrew Plimer of Lady Mary and Lady Harriet Scott, dated 1786.

The price was a world record for the artist. The miniature was bought privately.

Sotheby's sale of printed books totalled £63,555, including £19,000 for a collection of 39 engraved views of major European cities.

Top price in Sotheby's £34,723 sale of works of art, ivories and objects of vertu was £2,500 for an early 18th century Sicilian frame with mirror.

At Christie's, Chinese export porcelain and works of art were sold for a total of £190,080.

The same firm's sale of tribal art attracted £111,795.

Michelin goes on to short-time

BY KENNETH GOODING

THE RECESSION in the motor industry has at last caught up with Michelin, which is to put all six of its UK tyre plants on short-time working from the beginning of August.

Michelin, which claims to employ more people in the UK —15,000—than any other tyre manufacturer, also said that it wanted to avoid redundancies if possible. It has made an application for assistance under the Government's Temporary Short Time Working Compensation Scheme.

Output at its factories will be reduced to the equivalent of four normal days production a week.

The French-owned group's factories are at Stoke-on-Trent, Burnley, Dundee, Belfast, Ballymena, and Aberdeen.

The company reported last week that, in spite of a marginal increase in sales in 1980, up from £425m to £474m, its taxable profit had dropped sharply from £27m to £10.6m. Exports accounted for £148m of total sales last year.

Telon Textron, the U.S.-owned zip fastener factory at Treforest, near Pontypridd, South Wales, is to close with the loss of 380 jobs.

The shut-down, announced yesterday, will be carried out over the next three to five months. It follows a review by Talon's new U.S parent, Nucon Holdings, formed recently to acquire parts of Textron's business.

Management blamed the recession, the high level of sterling and the increased level of finished textiles imports.

About 360 of the jobs will be lost at Treforest and a further 20 at two satellite units in Manchester and London.

Ranks Hovis McDougall is to close its Mother's Pride bakery at Peterborough with a loss of 190 jobs because of losses the plant has made over the past few years.

Riot police 'irrational'

BY LISA WOOD

SOME POLICE OFFICERS on duty during the Brixton riots in April had only two weeks' experience in the Force, it was claimed at the Scarman inquiry yesterday.

Mr Ted Knight, leader of Lambeth council, said he listened to police radio messages on the Saturday night of the riots because he was unable to gain information from the police.

He said he heard one message in which concern was expressed because some men, being moved to an area where 400 "coloureds" were expected, had only two weeks' service in the Force.

Mr Knight said he had worked out that by midnight on Saturday many officers on duty had worked up to 17 hours, without refreshment in some cases.

"No arrangements had been made to give them any relief, which aggravated the situation and must obviously have made their conduct somewhat irrational," he claimed.

Groups opposed to the Scarman inquiry, including the Labour Committee for the Defence of Brixton, are pressing ahead with plans to hold an alternative, The Brixton Peoples' Inquiry.

Correction

It is very much regretted that information provided by the Joint Disciplinary Scheme of the Institutes of Chartered and Certified Accountants was misinterpreted in a report on page 8 of the later editions of the Financial Times last Thursday. The auditors of Movitex are not involved in any inquiry under the Joint Disciplinary Scheme.

It is understood that the matters which the disciplinary committee will look into relate to the activities of Mr Robert Bullfield, a former chairman of Movitex, which is in voluntary liquidation.

Bank sets out new monetary controls

DRAFT PROVISIONS for the new system of monetary control have been sent out by the Bank of England with a view to having the structure in operation later this summer.

The draft is broadly along the lines of a background note (Monetary Control: next steps) sent out on March 12, just after the Budget, to all recognised banks and licensed deposit-takers (LDTs).

The present paper sets out the provisions resulting from discussions since then with various associations and certain institutions.

There are no changes of substance though certain key aspects are clarified, transitional arrangements are set out for finance houses, statistical changes are proposed and a timetable is indicated.

The Cash Ratio

"A substantial part of the Bank of England's resources and income in recent years has been provided by the average of 1½ per cent of eligible liabilities (els) maintained by the London clearing banks in non-interest-bearing accounts at the Bank. This sum has also served as a fulcrum for money market management.

"The Bank's paper in March proposed that this latter purpose should in future be served by the volume of operational funds which the London clearing banks would retain voluntarily at the Bank for clearing purposes, while the Bank's resources and income should additionally be secured primarily by a uniform requirement on all banks and LDTs to hold non-operational, non-interest-bearing deposits with the Bank.

"This non-operational requirement will be ½ per cent of an institution's els and will apply to recognised banks and LDTs (and National Girobank) having els which average £10m or more.

"The level will be set twice a year in relation to its average els in the previous six months.

"For institutions not on the present statistical list of banks and whose business mainly comprises the provision of fixed rate finance for periods in excess of one year (notably finance houses), the Bank accepts that the introduction of the ½ per cent cash ratio may present a special transitional problem. The Bank will be prepared to consider individual representations from such institutions for some temporary alleviation of the requirement."

Supervision

Eligible liabilities are to be redefined: in future offsets will be allowed for:

(i) "funds (other than cash ratio deposits or special deposits placed with the Bank) lent by one institution in the newly defined monetary sector to any other;"

(ii) "money at call placed with money brokers and gilt-edged jobbers in the Stock Exchange, and secured on gilt-edged stock, Treasury bills, local authority bills and bills of exchange."

Eligible liabilities will be calculated in uniform fashion for all reporting institutions except for members of the London Discount Market Association and certain banks with money trading departments.

"The Bank reserves the right to make a spot check on the level of an institution's els on days when it would not normally report."

Special Deposits

"The special deposits scheme remains in place and will apply to all institutions with els of £10m or more. As hitherto calls will be set as a percentage of els."

Eligibility

The Bank has judged applications by recognised banks wishing their acceptances to become eligible for discount at the Bank, according to the criteria set out in March.

Undertakings by eligible banks

From a date to be announced, each eligible bank undertakes to maintain secured money with discount houses, and secured call money with money brokers and gilt-edged jobbers — all at market rates appropriate to the nature of the lending — such that:

(i) the total funds so held normally average "x" per cent of that bank's els;

(ii) the amount held in the form of secured money with members of the discount house does not normally fall below "y" per cent of els on any day.

The figures in these sub-paragraphs will be calculated to produce an aggregate amount of around £3bn and is expected to be around 5 per cent of els as presently defined, or perhaps 6 per cent on the new definition. The figure in sub-paragraph (ii) will be about two-thirds of that in (i).

Eligible banks

"The Bank will be prepared to review these undertakings, in consultation with eligible banks and the discount houses, when sufficient experience has been gained, covering at least a year. The Bank will also be prepared to discuss particular difficulties, as they arise, with any party to the arrangements.

Prudential considerations

"The Bank has received the assurances mentioned in the Budget Speech, and in its paper of March 12 "The liquidity of banks," "that those institutions to whom the reserve asset ratio has applied will discuss with the Bank in advance, in the course of the normal process of prudential supervision by the Bank, changes in their policies for the management of their liquidity and its composition. A separate paper on liquidity will be issued by the Bank when appropriate."

Statistical changes

The present lists of the banking sector are no longer appropriate.

"A new monetary sector will therefore be defined, to include (i) all recognised banks and LDTs, (ii) National Girobank, (iii) banks in the Channel Islands and the Isle of Man, so long as they are subject to broadly parallel arrangements for a cash ratio, (iv) the trustee savings banks, (v) the Banking Department of the Bank.

"Although the population of the monetary sector will be considerably larger than that of the "statistical list," the statistical effect will be comparatively modest since the present business of many of the new contributors is relatively small. In total, the initial once-for-all adjustment to the stock of the main monetary aggregate, £M3, will probably be of the order of £8bn (13 per cent), of which the Trustee Savings Banks account for about £6bn (9½ per cent)."

The timetable for change and the transitional arrangements

The Bank will shortly specify an operative date (almost certainly August 20) when:

(i) the reserve asset ratio will be abolished;

(ii) banks whose acceptances are eligible for discount at the Bank will begin to observe the requirements set out above;

(iii) the arrangement with the London Clearing Banks, whereby they keep an average of 1½ per cent of their els at the Bank, will lapse;

(iv) the Bank will receive the first deposits under the cash ratio requirement.

Monetary aggregates will be calculated on both old and new bases for one reporting date; thereafter statistics will only be collected on the basis of the new monetary sector.

UK NEWS

Britain faces fuel surplus during next 10 years

BY RAY DAFTER, ENERGY EDITOR

BRITAIN is about to face an energy problem unique in the developed world—a considerable surplus of home-produced fuel—according to a report published today.

During the coming decade the UK is likely to have an excess capacity in the coal industry, a substantial exportable surplus of crude oil, a slight excess of natural gas from domestic fields and contracted imports, and a surplus of electricity generating plant says Economic Models, in its latest European Energy Forecasts Report*.

By the second half of the 1980s the UK could be producing more than 10 per cent more energy than it will need. Until the end of last year the country was a net importer of fuels.

Economic Models says the problems could arise partly *from the impact of surpluses on* the macroeconomy—in particular through high exchange rates —*and also from* maladjustment in some fuel markets. For example, there were already disproportionately high coal stocks, and oil refinery capacity was badly out of line with product demand. In the medium and longer term, considerable uncertainties could surround the development of North Sea oil and gas fields, and, to a lesser extent, the coal industry.

The report says that the Government could face considerable pressure from the "powerful coal lobby" to introduce quotas on coal imports and subsidies to domestic producers. "Although outwardly unsympathetic to their cause the Government may be forced to bend," comments Economic Models.

No dramatic revival in the prospects of the British coal industry was foreseen. Coal consumption was expected to increase only slowly from 72.5m tonnes of oil equivalent (mtoe) in 1980 to just over 75.6mtoe in 1990. This higher figure is only slightly above last year's level of UK coal production.

The report contends that British coal is unlikely to be able to compete with U.S. coal on the European Continent. Consequently, domestic coal production was expected to rise from 74.2mtoe last year to only 75.5mtoe in 1990. In the light of this slow growth, the National Coal Board might be forced to scale down its expansion plans or speed its closure programme in existing pits.

Most of the UK's surplus energy was expected to occur in the crude oil market. Production was projected to rise from last year's level of just over 80m tonnes to a peak of nearly 106m tonnes in 1988. Assuming that UK demand for oil will remain at about 81m-82m tonnes annually for most of the 1980s, Economic Models reckons that oil exports could rise to a peak of nearly 24m tonnes in 1988.

Reviewing the electricity sector, the report asserts that generating capacity currently exceeds winter peak demand by 25 per cent. A considerable excess of capacity was expected to continue through the 1980s partly because of the slow rate of demand growth—averaging 1.7 per cent a year—and partly as a result of new plants coming on stream. "This surplus capacity is likely to constitute a continuing charge on electricity tariffs," says Economic Models.

While it was thought quite likely that British Gas would have a theoretical surplus of supplies for at least part of the 1980s, it was expected that the Corporation would maintain a balance between demand and supply through conservationist policies.

On a more general front, Economic Models forecasts that the weak international oil market will result in a real price decline in crude prices in 1982 and 1983. The average delivered price of oil was expected to go up from $38.15 a barrel this year to $40.04 in 1982 and $45 in 1983. But these rises would be more than offset by inflation.

But prices were expected to rise again in real terms in the following years as a result of the worldwide economic recovery and production cuts by Saudi Arabia, the world's leading exporters. Delivered (carriage, insurance and freight) prices were forecast to reach $68 a barrel by 1986 and then rise steadily to around $100 a barrel by 1990.

* *European Energy Forecasts Report, June 1981; Economic Models, 30 Old Queen Street, London, SW1; £500.*

UK ENERGY CONSUMPTION (BASE FORECAST)
(In million tonnes of oil equivalent)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Solid fuels	72.5	71.3	72.4	70.4	71.4	70.6	71.3	72.2	73.5	75.1	75.6
Natural gas	39.0	38.6	39.3	39.9	40.6	41.1	41.6	42.2	43.0	43.7	44.9
Oil	86.8	81.9	81.8	82.1	82.2	82.0	82.1	82.5	82.9	83.3	83.7
Nuclear	9.2	9.8	10.8	13.0	13.5	14.5	14.5	14.5	14.4	13.8	14.2
Hydropower	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2
TOTAL	208.8	202.9	205.5	206.7	209.0	209.4	210.7	212.8	215.0	217.1	219.7
Degree of energy self-sufficiency (%)	97.0	101.6	104.5	106.2	106.7	108.2	109.9	110.6	110.4	108.9	106.9

Source: Economic Models

Bridget Bloom looks at the controversy surrounding Britain's strategic weapons policy

Defence committee split over Trident project

THIS IS a key week for the Commons Select Committee on Defence. It celebrates its second birthday on Thursday by publishing a major report on the Trident missile system project which will show the committee split down its political middle.

The committee's six Tory members back the Government's decision to replace Britain's Polaris nuclear deterrent with Trident. The four Labour and one Social Democrat member oppose it. Given the way the political consensus on Britain's nuclear weapons policy is breaking down—it could be argued that this party division is hardly surprising. But the Government seems bound to be embarrassed by a further airing of the controversy over the one project in its current defence review which has been deemed sacrosanct from future cuts.

The Trident inquiry — properly titled it is an examination of Britain's strategic weapons policy — is the first major study by the defence committee. Beside it, pilot training for the RAF, ammunition storage and even D Notices, on which it cut its teeth, are dull.

The weapons policy hearings, in the view of the committee supporters, have given the committee an edge which has enabled it to dig and delve and to add significantly to the stock of public knowledge on the most controversial and costly defence project for many years.

However, as the committee enters its third year there are those who believe it could have done more. Its critics say it is rather ineffectual, and too deferential to the powers-that-be.

The committee is one of a dozen parliamentary select committees set up in 1979. Formerly, defence (in practice largely defence spending) was examined by a sub-committee of the Expenditure Committee. Its 11 members (all members of such committees must be backbenchers) have varying degrees of expertise. The Conservatives, including Sir John Langford Holt, former chairman, Mr Cranley Onslow, the new chairman, have served in the forces, while the Labour members have not. But Dr John Gilbert, the most senior Labour member, has been a Defence Minister and Mr Bernard Conlan spent 10 years on the former select committee.

Like the other committees, the Defence Committee employs expert advisers—a retired officer from each of the three services and Dr Lawrence Freedman of Chatham House on nuclear matters. The staff serving the committee is tiny—a clerk and three other full-time officials, whose job it is to prepare meetings, brief members, draft and publish the reports.

As select committees go, the Defence Committee has an average record—some 36 sessions in two years, resulting in two reports on the annual defence white paper and four special reports.

In 1979-80 the committee's activities cost the taxpayer £20,000, compared to £12,000 for the transport and £175,000 for the public accounts committees.

This year it will be more for the committee went to the U.S. to study the Trident deal. Curiously, it is not going to publish what it found out there, apparently because the visit did not constitute formal hearings.

While it could be claimed that the D-Notice report broke new ground ("we exposed the system for the first time," Dr Gilbert asserts, "and the Government must now revamp it"), the centrepiece of the committee's work so far is undoubtedly Trident. Evidence taken in 12 of the 14 sessions has already been published. Awaited on Thursday are the "findings" of the committee itself (in effect there will be a majority and a minority report) and the two final sessions of evidence—delayed, as almost all have been, because of security vetting by the Ministry of Defence.

Much of the evidence published so far makes fascinating reading, from, for example, the tart comment from Admiral Sir Raymond Lygo, quoted here, to the persistent but ultimately unsuccessful questioning of Mr Michael Quinlan, the senior official, on the opportunity costs of Trident. Mr Quinlan's evasiveness prompted Dr Gilbert to comment acidly that the witness was "if I may say, so, one of the most brilliant givers of evidence which any committee I have served on has had before it."

Probably the committee's central achievement has been to expose the uncertainty surrounding Trident's costs — including the opportunity costs. Despite the Government's insistence that the project will still cost £5bn at mid-1980 prices, the committee has shown that so many key aspects of the project still have to be decided—beginning with the size of the nuclear missiles and thus of the four submarines—that costs seem bound to escalate. And the committee met such stone-walling on the opportunity cost question that even the Conservatives, who back the Trident decision, will chide the Government in their report on Thursday.

Why has the committee, in spite of much useful work, still such a low profile? Partly, it is because defence has until very recently excited little public interest and produced little legislation.

Partly, too, it is because so many sessions have been held in private—nearly two-thirds of the total and for Trident, 12 out of 14.

Neither has the committee been helped by the cavalier attitude of the Government. It still had two key hearings to go when the Government held the Trident debate in the Commons last March.

In addition, the Defence Committee's powers are limited. It is tempting, but misleading, to compare British select committees with the much more powerful U.S. congressional committees.

Part of the problem is that most of the committee's Conservative members never wanted an inquiry into Trident at all, and a great many votes were needed before the terms of reference allowed the committee to examine the alternatives to Trident.

What of the Defence Committee's future? Mr Cranley Onslow believes that many more sessions should be held in public—and that the attempt to find a common position in a final report should probably be abandoned.

Dr Gilbert agrees, adding that the majority and minority groups should be free to publish their own report.

SIR JOHN Langford Holt, chairman of the Commons Defence Committee in evidence before the committee on November 6, 1980: "I wonder if I could ask about the question of overall costs? Parliament has received estimates from the Ministry of Defence as to the costs of the Trident programme. How can these costs be arrived at when so many of the factors are unknown to the people most closely involved in the production of them?"

Mr R. J. Daniel (Chief Executive, Warship Division, British Shipbuilders): "They are skilled in making these estimates: I did not mean that entirely facetiously either. And of course, it is a present day cost."

Sir Timothy Kitson (member): "So we can happily double it?"

Mr Daniel: "Oh Yes."

Chairman: "Unhappily double it."

ADMIRAL Sir Raymond Lygo, chairman and chief executive of British Aerospace's Dynamics Group, said in evidence to the Defence Committee on December 2, 1980: "I consider it to be extraordinary that we give ourselves some credit as an advanced technology industrial nation and when we buy the biggest piece of industrial equipment ever bought we do not consult with the industry concerned."

England's first enterprise zone opens in Corby

By Anthony Moreton

THE FIRST English enterprise zone was launched yesterday in Corby, Northamptonshire, where the end of steelmaking has seen unemployment leap to more than 20 per cent.

The official inauguration of the zone was accompanied by a visit from Mr Michael Heseltine, Secretary for the Environment, who said the concept provided "a unique opportunity for the private sector to show what it can do."

Exemption

Enterprise zones are small areas in which regulations are kept to a minimum to encourage companies to set up and grow.

Planning regulations are relaxed and companies operating in the zones have a 10-year rates holiday with exemption from development land tax. There are also 100 per cent allowances for industrial and commercial properties.

The first was in the Lower Swansea Valley. Altogether 11 areas have been named and the remaining nine will be phased in over the next six months.

Mr. Heseltine said in Corby yesterday that the enterprise zone experiment was "now firmly under way."

"We have achieved a very substantial relaxation to the controls which can discourage new enterprise," he went on.

"Businesses in enterprise zones won't have to fill in complicated forms or satisfy complex conditions. We won't be telling firms that only certain types of business will be encouraged. In enterprise zones the market will decide."

But he warned that the zones were an experiment and their eventual success would depend on people taking advantage of the opportunities.

He was "very encouraged" by the "enormous interest" shown in the 11 designated areas and said that if they were successful the idea could be used "much more widely."

Harland and Wolff given extra £46m state aid

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT has given another £46m to Harland and Wolff, the state-owned Belfast shipbuilders, to cover losses and provide working capital in the current year. Last year the company received £42.5m.

Mr Adam Butler, Minister of State in Northern Ireland, who announced the aid in a Commons written reply, said the Government also would provide guarantees to allow the company to borrow up to £10.9m from the banks.

The latest injection means that by March next year the Belfast shipyard will have received £171m from government since going into public ownership in 1975.

A Government statement on the longer-term future of Harland and Wolff is expected later this year. The company, under Dr Vivian Wadsworth, its new chairman, is preparing a corporate plan covering the period to March, 1985.

The Government will take account of the findings from an independent study team due to report soon on the possibilities for further diversification at the shipyard. The team is chaired by Sir Patrick Meaney, managing director of Thomas Tilling, the industrial holding group.

Harland and Wolff has introduced a limited number of new projects but the Government brief to the review team was to examine "more radical options."

The shipyard employs about 7,000 but 850 men are due to be paid off between next month and the end of the year.

Work will be finished soon on the last of four ferries ordered by British Rail. Four other ships are on the order books. Two liquid gas carriers are due for completion later this year and in summer 1982, and two oil tankers for BP are scheduled for completion in winter, 1982 and summer, 1983.

The company's accounts for 1980 will be published shortly and again will show heavy losses. In 1979 the shipyard's trading loss was £24.4m, rising to £43.3m after provisions for future losses, arbitration costs and redundancies.

Disc sales fall sharply

BY ELAINE WILLIAMS

COUNTERFEITING and increased home taping of music has been blamed for the further fall in sales of records in the UK.

Figures from the British Phonographic Industry, which represents most manufacturers in the £250m-a-year record and tape industry, showed that the volume of LP deliveries to trade fell by 15 per cent in the first quarter of 1981, compared with the same period a year earlier.

This year 12.6m LPs were delivered, with a total value of £26.7m—a decline in value of 10.3 per cent. The total value of trade deliveries was £50.2m, which was 2.8 per cent down on the same period last year.

Home taping, either from borrowed records or the radio, has become more popular and this is believed to be costing the industry about £200m in lost revenue.

This, coupled with pirate recordings and cheap imports caused 1980 volume sales of records to fall by 13 per cent for single discs and nearly 10 per cent for LPs.

Commercial piracy — which ranges from illicit recordings of live performances to unauthorised versions of recordings—is estimated to cost the industry a further £20m a year.

The BPI has been campaigning for a levy on blank tapes sales to recoup some of the losses through illegal home taping.

Reading offices scheme approved

BY ANDREW TAYLOR

MEPC, the property group, has been given the go-ahead by Berkshire County Council for a 350,000 sq ft office development on the controversial four-acre Kings Road site in Reading.

Reading Council has strongly opposed such a development on the site which is owned by the County Council.

The county, however, has accepted MEPC's £12.1m offer for the land. As the owner, it had already granted itself planning permission—a move that angered a number of borough councillors last year.

Reading has a policy of refusing to allow more than 150,000 sq ft of offices to be developed in a year.

MEPC's scheme calls for three separate blocks, ranging from 67,000 sq ft to 198,000 sq ft. In a bid to soften local opposition, the County Council and MEPC have included a number of "planning gains."

Around £1m of the tender price is to be set aside for "off-site" car parking, while the development plans call for the construction of 23 homes by MEPC. The County Council will also provide sites in Reading for about 25 more homes, at a cost of between £500,000 and £600,000.

Reading's policy of limiting office development has been strongly criticised by developers.

Development on another Kings Road site was held up for seven years, during which time the freeholder, Town and City Properties, was paying a six figure ground rent.

Mr Michael Heseltine, Environment Secretary, eventually ended what he described as "the sad history of this site" by giving the go-ahead for a major office development. But this decision came only after two public inquiries.

Town and City in partnership with the Thorn electrical group pension fund is now to develop an 85,000 sq ft office block on the site.

Danger of bankruptcy lessening, says Joseph

BY IVOR OWEN

FEWER COMPANIES are now in danger of being driven into bankruptcy, Sir Keith Joseph, the Industry Secretary, claimed in the Commons yesterday.

But under challenge from Labour MPs, he confirmed that unemployment is likely to continue to rise for a further period and he again stressed the importance of moderate wage settlements in helping to ensure improved industrial investment.

In addition to fending off opposition attacks on Government policy, Sir Keith was also repeatedly called upon to reassure Tory backbenchers, including several representing constituencies in the once prosperous West Midlands.

He pointed to the easing of finacial pressures on companies when asked by Mr Ioan Evans (Lab., Aberdare), to explain why Government policies had resulted in record numbers of closures and liquidations.

Sir Keith replied: "Bankruptcy increases seem to have peaked and the number of bankruptcies at the last count was below the level of the previous quarter."

Mr Hal Miller (C., Bromsgrove and Redditch), who recently resigned from his post as Parliamentary Private Secretary to Mr Francis Pym, the Leader of the Commons, so as to have greater freedom to express his reservations about Government policies, was the first Tory backbencher to highlight the current difficulties of the West Midlands.

Joseph: repeatedly called upon to reassure Tory Backbenchers.

He urged the Industry Secretary to accept that the extent of the decline in industrial activity which had already taken place was such that the West Midlands should now be eligible for assisted area status.

Alternatively, he said, the Government should change the basis of regional policy in favour of a sectoral approach.

Sir Keith accepted that the West Midlands had suffered from regional policy in earlier years, but emphasised that the more selective criteria now being applied by the Government had reduced the damaging impact of a comprehensive control over the location of industry through the industrial development certificate procedure.

He did not believe that the position in the West Midlands was as bad as Mr Miller had indicated—the situation was not as negative as in other regions.

Sir Keith defined the basis of the Government's regional policy in these terms: "The main source of jobs throughout the country is entrepreneurial management and co-operative workforces working within an encouraging economic and cultural climate, but some bias in favour of areas with the most spare resources may be practicable."

Miller: stressed the current difficulties of the West Midlands

Mr Anthony Beaumont-Dark (C. Birmingham Selly Oak), warned that without an expanding car market the West Midlands would suffer if the Government gave grants to the Nissan company of Japan to secure the building of a plant to produce Datsun cars in some other part of Britain.

He contended that regional grants did not create wealth. They moved one bit of prosperity from one area to another.

Sir Keith answered that Britain had been importing more than half the cars which its population bought in a year. Therefore, there was plenty of scope for more cars to be made in Britain.

Mr Stan Orme, Labour's industry spokesman, maintained that the grilling to which Sir Keith had been subjected showed that the Government's policy had failed and that it was time for a change of direction.

Rejecting this view, Sir Keith argued that for years and years British industry had been becoming more uncompetitive as a result of overmanning, restrictive labour practices and patchy management.

"Eliminating these sources of uncompetitiveness cannot be done overnight. We are going through a painful transitional stage towards becoming more competitive and having once again an increase of employment."

Terrorists in Republic jails can stand for Parliament

THE Government's Bill aimed at stopping a repeat of IRA hunger striker Bobby Sands' by-election victory will not prevent IRA terorists serving jail sentences in the Irish Republic standing for election to Westminster.

Mr William Whitelaw, the Home Secretary, admitted this in the Commons yesterday in a disclosure which took some MPs by surprise and was immediately described by Mr Roy Hattersley, the Shadow Home Secretary, as a "grave loophole."

The admission came shortly after Mr Whitelaw had explained the controversial Representation of the People Bill to the Commons at the start of its second reading debate.

Mr Whitelaw had told MPs it would be a perversion of the electoral process and an affront to democracy to allow another convicted IRA terrorist to stand as a candidate in a parliamentary election.

There was no reference in Mr Whitelaw's speech to the position of IRA prisoners, who, unlike Bobby Stands, are serving jail sentences in the Irish Republic.

But Mr Hattersley took up the issue: "The idea has been put about as a result of the usual lobby briefings that a man sentenced for terrorism, but serving a sentence outside the UK, would remain eligible to stand for Parliament and could take his seat if elected.

"It is said that a man or woman convicted, sentenced and imprisoned in Portlaoise (in the Irish Republic) would still be eligible and could take his or her seat here."

Mr. Whitelaw said: "Yes, it is true," and when Mr. Hattersley asked him if he planned to close this "grave loophole," Mr. Whitelaw said: "I thought it best to consider the views of MPs. If it is thought it should be changed then I will be sympathetic to that."

Mr. Hattersley said: "You should do better than that. This is a quite extraordinary state of affairs."

The Opposition is allowing a free vote on the Bill, but Mr. Hattersley said he would vote against it and advised Labour MPs to do the same.

Mr. Hattersley said: "I do not believe it is for the House of Commons to judge if an imprisoned person can perform the necessary duties of an MP—or is unworthy to sit in the House of Commons. Such matters are the business of the constituency and no one else."

He said the Bill, which had been suddenly invented and inadequately drafted was to prevent the re-occurrence of the events which led to the election of Mr. Bobby Sands.

But he warned that it would help rather than hinder the IRA.

Mr. Hattersley said he was afraid the Bill would be used in Northern Ireland to justify the "worst excesses of the IRA" and that ineligible candidates would be nominated, elected and disqualified only to be replaced by others

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'Let State industries borrow more freely'

By John Elliott, Industrial Editor

THE GOVERNMENT was urged last night by representatives of leading merchant banks to allow nationalised industries the freedom to choose whether they borrow funds on the open market or from the National Loans Fund.

The bankers also said that some profitable investments made by theindustries should be financed in the open market, without any later recourse to the Government for help or support.

Such investments should be allowed outside the controls imposed? by the public sector borrowing requirement and external financing limits. Such arrangements would mean that the nationalised industries would be competing on equal terms with the private sector, because there would be no Government guarantees.

These views were put by bankers from the Accepting Houses Committee and the Issuing Houses Association to the Treasury and Civil Service committee which is conducting an inquiry into nationalised industry investment.

"In earlier hearings the committee has been told by nationalised industry chairmen that they need freer access to the money market to raise finance for investment. The Treasury, however, has said that it does not believe there is much scope for such extra investment.

Yesterday the Treasury's view was at least partially borne out by the bankers and by Sir Francis Tombs, former chairman of the Electricity Council.

The bankers had to agree that, while they were clearly anxious to obtain nationalised industry business, they were "not offering a new pot of gold the industries could tap."

This view was put by Mr John Baring, chairman of Baring Brothers, who said: "There are projects which could be found which could be taken out of the system."

The bankers could not give immediate examples of investments they would back although they seemed more interested in British Telecom projects than in helping to electrify the London to Birmingham railway.

Mr Gerard Mackworth-Young of Morgan Grenfell said that this "would concentrate the minds of nationalised industry boards because they would be approaching the market on their own record."

Sir Francis Tombs subscribed to the Treasury's view that there were not many electricity industry projects squeezed out in any one year by the external financing limit rules. They probably only amounted to "tens of millions of pounds" in a year. But this was because investment plans had been restricted over a longer period by Government intervention. He was highly critical of the external limits system.

Ruling on Concorde's future 'soon'

Financial Times Reporter

A major announcement on Concorde's future will be made in five weeks, Mr Norman Tebbit, Industry Minister, told the Commons yesterday.

A full Government answer to the report on Concorde by the Commons trade and industry select committee, which compared the supersonic plans to a "modern Frankenstein," will be produced before MPs' summer holiday, Mr. Tebbit said at Question Times.

The committee said Concorde had burst through all estimates of its cost, would go on losing millions of pounds and urged the Government to find out how much it would cost to scrap it and compare that with the cost of keeping it flying.

Mr Tebbit told Concorde's supporters and critics that the Government would pay little attention to those who say that despite its losses, Concorde should be retained for prestige.

"The Government's decision will be made on a strict adherence to the principle of value for money and pursuing the matter on minimum costs," he said.

Mr. Jock Bruce-Gardyne (C., Knutsford) said that as all hope of selling Concorde successfully seemed to have been abandoned, it was time to review its future "fairly drastically."

He complained that however badly Britain seemed to be doing in paying for the plane's losses, it was still costing us more than our French partners in the project.

Mr. Tebbit said he hoped to discuss this issue with the new French administration soon.

Labour MPs attack decision on BR electrification plan

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT's decision to only provide funds for British Rails main line electrification programme if further manpower cuts and improvements in efficiency are made was attacked in the Commons yesterday by Mr Albert Booth, Labour's transport spokesman.

He said the decision announced by Mr Norman Fowler, Transport Secretary, was a blow to British Rail, to the equipment supply industry and to the regions which will be adversely affected.

It would result, he warned, in "a few lines of excellence while the rest of the BR network deteriorates to the point of collapse."

Mr Fowler told the House that he had asked BR to produce a ten year programme of electrification schemes but only for potentially profitable main line routes. The approval of each project would be conditional on the profitability of the investment and on the achievement of improvements in productivity.

His statement brought vociferous protests from Labour MPs who argued that this piecemeal aporoach will come as a bitter disappointment to the supply companies who had been anticipating big new orders from the programme.

Mr Stephen Ross, the Liberal spokesman, was also highly critical.

On the Tory benches a few MPs were worried about the lack of a firm financial commitment from the Government but most of them welcomed Mr Fowler's approach as a sound way of ensuring that public funds were not wasted.

The only strong Conservative criticism came from Mr Robert Adley (Christchurch and Lymington) who said he was rather disappointed. He thought that Sir Peter Parker, BR chairman, must feel like Ian Botham who has been made England's test captain on a match by match basis.

Mr Adley argued that BR covers a higher proportion of its operating costs than any other railway in Europe and the Government should take this into consideration.

Mr Fowler declared: "This is a fair deal as far as British Rail is concerned. The trading position of BR has worsened very considerably this year.

"The passenger revenue is £52m down on the forecast and freight revenue £27m down. An overshoot on the external financing limit is therefore likely unless action is taken. In spite of this the Government is going ahead with this commitment.

"At the moment both inter city and freight services are making substantial losses."

The Government was asking that BR should meet the target of its corporate reviews of reduction in the workforce of 38,000 between 1980-85.

He pointed out that the crews of freight trains covered an average of only 30 miles a day and commented: "You don't need to know a great deal about railways to realise that is in no way a satisfactory performance."

If the most expensive option on electrification were taken it would lead to 2,000 new jobs over 10 years. About 80 per cent of electrification work would be done by the private sector.

The Transport Secretary emphasised that the external financing limits for BR was £920m for the current year. So it was only fair that the Government should say to the railways "there are improvements we all know can be made—let us make them together."

He described it as an "imaginative plan — a programme for action."

Mr Fowler said that Sir Peter Parker—who was sitting in the public gallery—welcomed the scheme as giving a real fighting chance to the railways. He said that Sir Peter recognised that work changes were necessary on BR if it was to get the necessary investment from the Government. The ball was now with BR.

The estimates of the Government expenditure involved would have to await the schemes being submitted. The amounts would depend upon the success of British Rail's commercial business.

There was some Conservative suggestions that private capital should be introduced for the electrification scheme and Mr Fowler explained that there had been some discussions between BR and merchant bankers on this but no proposals had been made. He was, however, prepared to look at genuine schemes of private investment.

Poll gives Benn the edge over Healey in contest

BY MARGARET VAN HATTEM, LOBBY STAFF

MR DENIS HEALEY'S reliance on the trade union vote in the contest for the Labour deputy leadership increased last night with the publication of the latest gallup poll.

While the poll indicates that a third of MPs and constituency parties have not yet made up their minds, it also shows that —on balance—Mr Benn has the edge on Mr Healey in these two sections.

The poll was commissioned by the BBC television programme Panorama and published last night. Among the 160 MPs contacted, 31.8 per cent said they had not yet made up their minds. However, of those who declared their preference, 58 per cent supported Mr Healey, while Mr Benn and Mr John Silkin were each supported by 21 per cent.

However in the constituency section, Mr. Benn's lead so far appears to outweigh Mr. Healey's lead among MPs. Of the 623 constituency parties, 247 were contacted, and of these 31 per cent were undecided. Among the rest however, Mr. Benn was supported by 71 per cent with Mr. Healey getting 22 per cent and Mr. Silkin only 7 per cent.

With three months to go before the election, and with Mr. Benn expected to take a less active role than Mr. Healey, their relative positions could change sharply. However many of the MPs who have not yet declared are believed to be Left-wingers poised between abstention or voting for Mr. Benn; few of them are expected to declare for Mr. Healey.

Mr. Michael Foot, speaking on Panorama last night, accused Mr. Benn of driving a wedge between the parliamentary and extra parliamentary wings of the party, and said he was damaging Labour's electoral chances.

"If we are going to win the next election, we have got to ensure that the parliamentary party and the party of the country are acting in unison," he said.

"I do not believe it was a good idea to have this election and I don't think it's a good idea for the Labour Party to have perpetual elections."

He also criticised Mr. Benn for personalising the contest in a manner that threatened to destroy the policies he espoused should he lose. Mr. Benn, he said, did not have the right to say that he alone represented these policies and that a rejection of him constituted a rejection of the policies.

Others would continue to fight for those policies, Mr. Foot said. He personally would fight for them and so would the Shadow Cabinet. If Mr. Benn has listened more carefully he would have seen that the Shadow Cabinet had fought for those policies all along.

Runcie criticises Nationality Bill as 'defective'

DR. ROBERT RUNCIE, the Archbishop of Canterbury, yesterday urged the House of Lords to change the Government's controversial British Nationality Bill.

In a speech which expressed the Church's deep anxieties about the Bill, Dr. Runcie spoke of the "fear" and "deep concern" it was creating within immigrant communities. Speaking during the second reading debate of the Bill in the Lords, he criticised it as being "defective."

Dr. Runcie said: "My hope is that the Lords will take this opportunity to remove some of the aspects of the Bill which have caused the deep concern I have tried to voice.

Dr Runcie said the Bill would establish a sense of British national identity. But it was creating a first and second class citizenship.

Treasury check on spending departments

By David Marsh

THE TREASURY plans to adopt a "more prescriptive role" in ensuring that government spending departments improve their systems of financial management, Sir Anthony Rawlinson, Second Permanent Secretary at the Treasury, said yesterday.

Speaking before the Commons Public Accounts Committee, Sir Anthony said the Treasury aimed to become more active not only in specifying how things should be done but seeing that they are done. It wanted to introduce more "follow up" in monitoring the financial decisions of spending departments.

He said Treasury ministers were "somewhat concerned" about the way the Treasury had left departments to "get on with it" in recent years.

UK NEWS—LABOUR

Transport workers reject move to extend industrial democracy

BY NICK GARNETT, LABOUR STAFF

A PROPOSAL to support the extension of industrial democracy on the lines now being studied jointly by the TUC and the Labour Party was rejected yesterday by the Transport and General Workers' Union.

The union's biennial conference in Brighton turned down the advice of its executive and narrowly voted against a motion supporting such elements as joint control of decision making and parity worker representation on the policy making boards of companies.

The TUC Labour Party Liaison Committee has been working towards an industrial strategy policy in which industrial democracy would play an important role.

Yesterday's surprise decision by a union whose leadership under Jack Jones, the previous general secretary, has generally supported industrial democracy concepts could make those talks more awkward. The proposal, from the union's No 1 branch, called on the executive to campaign for the extension of industrial democracy in the public and private sectors.

Joint control would be seen as an extension of collective bargaining with worker representatives elected through trade union channels but with encouragement given to the formation of shop stewards combines and other new trade union structures.

Mr Larry Smith, the union's Executive Officer, supported the proposal on behalf of the Executive but with reservations on shop stewards combines.

The Liaison Committee was examining the prospect of an industrial strategy involving the trade unions at all levels, he said.

Such a strategy needed to include a national planning college; strengthen Neddy tripartite machinery with new legislation forcing companies to provide information; compulsory planning agreements and strengthened trade union representation on the National Enterprise Board and on development agencies.

This would be carried out in parallel with "a drive" for industrial democracy at works level with representation through established trade union channels.

Delegates voted to reject the element of joint decision making within companies.

Delegates said industrial democracy would dilute the real need for extending nationalisation. The fullest worker decision making could be obtained only by workers' control of industry.

One delegate also pointed to the planning agreement at Chrysler which was effectively bypassed during the takeover by PSA Peugeot-Citroen.

● The Trade Unions must channel "the rage" they felt towards the Government into a programme of resistance and industrial reconstruction based on the TUC's alternative economic strategy, said Mr Stan Pemberton, TGWU chairman.

"The Government has used every vicious trick in the book to cut spending and the pensioners have been affected particularly badly."

More Inland Revenue staff suspended

By Philip Bassett, Labour Staff

THE GOVERNMENT yesterday suspended more Inland Revenue staff, although there were signs that Ministers who have taken a hard line over the Civil Service strikes may have agreed to handle the dispute more coolly—at least until the unions' financial position becomes clear.

Notices of suspension were given to some 40 collectors-in-charge at tax collection offices in Greater Manchester, the West Midlands and the eastern counties, to come into effect on Wednesday.

These appear to be the only moves of their kind, however, although Employment Department staff taking action affecting benefit claims have been warned of suspension.

The Government seems to have taken the advice of the Civil Service Department to stand futher back from the 15-week-old dispute—a marked shift from the tough line of about two weeks ago.

It is thought the department was more daunted by the number of civil servants voting for an all-out strike last week than it was prepared to admit publicly.

Now Whitehall seems to be waiting for the outcome of the unions' appeal for more money to fund the strikes. Some union officials are less than confident about the response, believing that some members might now see the campaign as a lost cause.

Even so, the Pay Campaign Co-ordinating Committee of the Council of Civil Service Unions yesterday started to examine in detail the programme of selective strikes. After about five hours' discussion, however, it seemed to have reached no firm conclusions.

The Government's handling of Civil Service pay may come in for criticism from the members of the Pay Research Unit Board set up to oversee the running of the now-abandoned pay comparability system.

Board members are considering whether to accompany publication of their truncated annual report tomorrow with a press conference at which grievances might be aired.

● Scottish air traffic will be disrupted today by action at the Scottish air traffic control centre at Prestwick.

Strikes unlikely at ICL

By John Lloyd, Labour Correspondent

UNIONS representing the 30,000 workers at ICL, Britain's major computer manufacturer, meet today to agree their response to the company's plans to cut 5,200 jobs.

The workforce has also been told that the company cannot afford a pay increase, rejected by the main union, the Association of Scientific, Technical and Managerial Staffs.

However, there are unlikely to be widespread calls for industrial action at today's meeting. Union leaders are likely to seek a mandate to refuse compulsory redundancies, and negotiate an improvement in severance terms.

Lay officials in the company believe ICL's management has already "counted heads" of those it wishes to go. It will also be anxious to retain key workers who might be likely to take a generous redundancy payment in the expectation of another job elsewhere.

Many of the redundancies will be in the manufacturing plants, where the need for production labour is decreasing

Dock employers to press for arbitration

BY PAULINE CLARK, LABOUR STAFF

EMPLOYERS in the Port of Southampton, where trade has been seriously disrupted for two months because of a dockers' pay dispute, are expected this week to intensify pressure for arbitration. There are fears that some shipping lines may withdraw permanently from the port.

Representatives of the port's 1,600 dockers who met port users yesterday discussed the possibility of finding a solution through a third party. They also discussed their revised pay claim.

The port users were said, however, to have described the employers' 11 per cent to 13 per cent offer as "fair and reasonable" and to have supported the idea of arbitration.

The dockers originally demanded about 28 per cent tied to demands for earnings parity with non-registered docks staff and have described their revised claim as partly self-financing. Nevertheless, the employers, dominated by the British Transport Docks Board, told them last week they could not afford to improve the offer.

The port has been operating a single day shift only for cargo handlers since April 24 following the dockers' overtime ban in container berths where the parity dispute is centred.

Dockers have so far rejected employers' appeals for arbitration through the National Joint Council for the Port Transport Industry, the existing machinery for settling disputes, although they have suggested conciliation through the Advisory, Conciliation and Arbitration Service.

A mass meeting of dockers last Saturday was said to have voted its confidence in the shop stewards' strategy.

● The deadlock in pay negotiations for the 3,500 dockers on the Mersey will be referred to the Transport and General Workers Union conference in Brighton tomorrow.

Talks on council retraining dispute

TALKS are to begin at local level on a retraining claim by 450 clerical workers, members of the National and Local Government Officers Association, who are employed by Liverpool Corporation. The dispute has led to disruption of council business and the setting up of an emergency committee to run the city.

BSC literacy tests

British Steel Corporation and the Commission for Racial Equality are finalising a new code for literacy tests designed to avoid charges of discrimination against ethnic minorities.

Gas unions plan joint sales fight

BY PAULINE CLARK, LABOUR STAFF

LEADERS OF 93,000 staff and manual workers in British Gas yesterday agreed to support co-ordinated industrial action if the Government adopts proposals for ending or restricting sales of gas appliances by the Corporation.

Gas workers' leaders in the General and Municipal Workers Union, the National and Local Government Officers Association and other unions involved in the industry are to meet Mrs Sally Oppenheim, Minister for Consumer Affairs, today to seek clarification of the Government's intentions on "privatisation" in the gas industry.

More than 300 gas workers met in London yesterday for the first joint union delegate conference on the issue. This followed decisions by gas industry groups in the individual unions to draw up contingency plans for action.

The unions want the Government to reject proposals by the Monopolies and Mergers Commission that British Gas should either withdraw totally from sales of gas appliances or reduce its market share.

Risk

They claim that 30,000 jobs could be lost if the Corporation is forced to close its 900 showrooms and that another 15,000 jobs could be at risk in factories which make appliances and components.

Delegates representing some 50,000 gas industry white collar workers in Nalgo voted overwhelmingly at a meeting in London last April to support industrial action if the Government takes up either option proposed by the Commission.

The union has warned that action could involve staff who operate the national grid system as well as members in showrooms and other parts of the Corporation.

The GMWU gas group, representing 43,000 of the industry's manual workers, earlier this month drew up contingency plans for protest strikes over the issue.

Slow progress by BR on labour efficiency

Philip Bassett assesses the impact of the Government's rail policy

THE GOVERNMENT'S announcement linking up improvements in British Rail's productivity to step-by-step electrification gives public expression to ministerial disapproval over the slow progress of talks aimed at greater labour efficiency.

Mr Norman Fowler, Transport Secretary, has announced that approval for each electrification project is to depend on the profitability of investment and the achievement of improvements in productivity. He considered that "immediate substantial economy measures" were required to rescue BR's worsening trading position.

This gives a new urgency to negotiations between BR and its unions which have been bogged down for too long.

The reluctance of some Ministers to accede to BR's proposals on electrification lay behind a speech last week by Mr Leon Brittan, chief secretary to the Treasury. He was critical of BR's performance. He said that rail productivity in the 1960s had increased on average by 5 per cent a year, compared with an increase of 5 per cent throughout the whole of the following decade.

Stung by comments like these, BR has agreed with its unions to hold a special two-day meeting on productivity at the most senior level, starting on July 14. It will be held after the annual two-week conference of the industry's largest union, the National Union of Railwaymen (NUR).

Of 31 meetings arranged between June 1980 and the beginnig of last May to discuss productivity changes sought by BR after an agreement to do so in the terms of last year's pay deal, 18 were cancelled principally because of the refusal of the NUR to discuss the issue.

The NUR's position is now significantly different. It is still not prepared to talk about job-cutting, but is now ready to embrace the concept of productivity, at least in theory. But BR has still a long way to go to overcome union reluctance.

There are many reasons—the NUR, for example, has seen its membership shrink as a result of successive cuts in the industry from more than 400,000 20 years ago to about 170,000 now.

The unions believe that the industry is "bleeding to death" because of the lack of Government investment. But they are aware of the criticisms on their productivity. While ready to defend themselves, they acknowledge that there are pockets of overmanning.

The announcement on electrification may have defused the likelihood of a strike on BR—although the NUR executive is expected on Thursday to sanction industrial action over pay on the London Underground. But what the unions see as mistaken decisions on investment could tip the balance again towards militancy.

Even moderates in the NUR are now saying that perhaps the union has been too co-operative in the past with job reductions, and that perhaps it should have flexed its considerable industrial muscle more often.

They are saying that if the Government is not prepared to come forward with further funds for BR, then far from agreeing further changes in working practices, they should resist each one.

Such growing response from the most moderate of its unions is a considerable barrier to progress for BR and Sir Peter Parker, its chairman, particularly given the far-reaching nature of some of its productivity proposals.

'The electrification of lines depends on profitability and productivity achievements.'

Mr Fowler was specific yesterday. He said: "What we are asking and seeking from BR is that it should meet the target in its own corporate review—that there should be a reduction of 38,000 posts between 1980 and 1985."

The main elements making up this target are: rationalisation of the freight business (9,000 posts); withdrawal from the collection and delivery of parcels and other improvements in that area (5,000); passenger workload and other productivity measures (6,000); the restructuring and remanning of train work (3,000); re-signalling and level crossing work (2,000); and administrative economies (4,000).

Productivity is difficult to measure statistically but BR's target, expressed in loaded train miles per person, is that in the passenger business the 18,000 such miles per driver and 26,000 such miles per guard should rise to 21,000 and 31,000 respectively in 1985. For freight, similar figures are 4,000-6,000 (drivers) and 7,000-10,000 (guards).

BR's central proposals on productivity are set out in an unpublished document. The Challenge of the 80s, issued to the rail unions as far back as November 1979. The improvements it is seeking now are the improvements it proposed then — which were remarkably similar to those contained in a previous document: An Opportunity for Change, issued in July, 1976.

Last year's pay deal laid down a three-stage programme for productivity improvements of increasing levels of importance.

Progress on these three stages has varied directly with their impact upon the workforce: BR says progress on the first, the tying-up of various smaller changes, has been exemplary; on the second, including more major changes such as the ending of the collection nad delivery of parcels, it has been reasonable; but on the third, involving major changes in working practices, there has been virtually no progress at all.

Yesterday's announcement is a limited step towards progress. But as one union official put it last night: "Electrification is all very well—but it's still a long way off."

JOBS COLUMN

Another blow to manly pride

BY MICHAEL DIXON

PLEASE CONSIDER men graduates on the one hand and women graduates on the other. Which of the two would you expect to be the more likely to end up without a job?

I ask the question because of a chance meeting the other day with a man who happened to have with him the as yet officially unpublished figures showing rates of unemployment among people who left the United Kingdom universities last summer. As expected, he said, the jobs market had been bad for them although not as bad as it was proving for this year's new graduates.

What was surprising, he added, was that the women had coped with the 1980 jobs crisis rather better than the men. That surprised me too, as I suspect it will surprise most readers. But rather than risk being accused of working on male chauvinist assumptions, I asked one of my women colleagues whether she thought male or female graduates would be the more liable to unemployment. "The women," she answered instantly.

Well, we were all wrong. And the accompanying table shows it.

GRADUATE UNEMPLOYMENT 'FROM CRISIS TO CRISIS'

New graduates believed jobless at December 31		Arts subjects No.	Arts subjects %	Social studies No.	Social studies %	Pure science No.	Pure science %	Applied science No.	Applied science %
1980	Men	790	13.5	1,009	9.1	1,040	9.5	506	5.3
	Women	820	9.4	526	7.4	361	6.5	59	6.3
1979	Men	471	8.1	552	5.8	523	5.4	221	2.4
	Women	514	5.9	325	5.3	218	4.5	26	3.3
1978	Men	414	7.1	521	5.5	545	5.6	194	2.2
	Women	449	5.4	301	5.2	185	3.9	30	4.2
1977	Men	404	7.4	577	6.4	715	7.6	300	3.7
	Women	486	6.3	314	5.8	212	4.6	38	6
1976	Men	395	7.7	598	7.1	719	7.6	322	4.1
	Women	489	6.7	333	6.7	262	5.8	41	7.2
1975	Men	389	7.5	585	7.0	780	8.0	337	4.2
	Women	398	5.6	275	6.1	235	5.3	27	5.7
1974	Men	209	4.2	321	4.0	390	4.1	146	1.8
	Women	250	3.8	153	3.7	107	2.5	14	3.3
1973	Men	189	3.8	284	3.5	326	3.3	125	1.6
	Women	190	3.0	146	3.4	88	2.1	8	2.1
1972	Men	241	4.8	337	4.1	461	4.9	306	3.8
	Women	170	2.7	150	4.0	113	3.0	14	4.4
1971	Men	486	9.9	820	10.1	906	9.8	616	7.3
	Women	384	6.8	380	9.5	217	6.2	19	7.3
1970	Men	414	8.6	595	7.4	616	6.5	245	3.0
	Women	275	5.0	241	6.2	163	4.6	14	4.9

The figures denote the incidence of unemployment among people gaining bachelor-level degrees at the UK universities in every year between the crisis period of the early 1970s and the one which befell last year. I have taken the new graduates who were believed to be still unemployed at the end of the year in which they gained their degree, and classified them under the four main subject groups (excluding those who studied medicine, dentistry and veterinary science).

The four subject groups are arts, social studies, pure science, and applied science. In each case I have first shown the jobless men both as a number and as a percentage of all the men graduating in the same subject group whose whereabouts were known at the end of the year concerned. Then I have shown the unemployed women in the same ways.

On the percentage measure the women have proved less prone to unemployment than the men in every year and in all subject groups except applied science. Since the numbers of female students of engineering and technology are relatively tiny, however, the preference for men among employers of such students seems sure to be less marked in reality than the percentage figures make it seem.

Nor would the table justify the conclusion that in the other groups of subjects women are preferred by employers for posts which would conventionally be regarded as "graduate jobs."

The probable explanation of the statistics is to my mind twofold. When university-leavers find themselves unable to obtain any job they think worthy of them, the men are more likely to sit about nursing their hurt pride and the women to settle for one of the less desirable opportunities available. In addition, there are a good number of jobs—of the secretarial kind, for instance — for which employers would probably recruit graduate women but not consider a graduate man.

But whatever the reason, one thing seems sure. Anybody who has been thinking that it is the highly educated women who are the greater burden on the unemployment benefit, now owes them an apology. And since I was, I'm sorry.

Money adviser

BRUSSELS WILL be the base of an adviser on foreign exchange, and international economics and finance being sought by recruiter John Williams of Whitehead Technical Services. But since the job requires fluent Italian and preferably Spanish as well as English, I sadly suspect that the majority of this column's otherwise well qualified British readers, at least, will not fill the bill.

The employer is an international bank which Mr Williams may not name. So, like the other recruitment consultants to be mentioned later, he promises that any applicant who so requests will not be identified to his client without further permission.

Candidates also need thorough knowledge of foreign exchange and the analytical skills to keep check on economic developments across a wide range of countries, as well as experience in dealing with the senior staff of big international concerns. So at least three years success in similar work is wanted, as is a degree or professional qualification. Those with a master's degree in management would have an advantage.

Having signally failed to goad John Williams into talking money, I am obliged by tradition to make my own estimate of the salary. And for this kind of job in Brussels, I would think the bank must be prepared to pay the equivalent of £20,000 to £25,000.

Inquiries to Mr Williams at 21 Wigmore Street, London W1H 9LA; telephone 01-580 0191, telex 27789.

Marketing boss

A SALES director is sought by recruiter John Anderson to work in the North of England with a company with a turnover of more than £25m mainly in household textiles. The prime need here is demonstrable success in leading a national sales force in the marketing of branded consumer goods. And if this experience has not been precisely in the field of household textiles, then a good knowledge of that field must have been gained in some other way, not least because product-development will be part of the job.

In this case, too, I failed to chivvy the recruiter into naming a salary. So I will fill the gap with an estimate of at least £20,000. Perks will include a car.

Inquiries to Mr Anderson at John Anderson and Associates, Norfolk House, Smallbrook Queensway, Birmingham B5 4 LJ; tel. 021-632 5758.

R&D manager

LASTLY today comes the post of assistant director of pharmaceutical research and development with the UK division of a multinational concern. Based to the west of England, the newcomer will be expected to earn promotion to deputy director of the R and D activity next year.

Candidates must have a relevant doctorate degree followed by several years in pharmaceutical research covering the full range of dosage forms and preformulation studies required. Experience of handling drugs and skill in sterile preparative techniques must be coupled with demonstrable ability to organise and run an R and D department. Salary around £15,000, with a car among the other benefits.

Inquiries to recruiter Dirk Degenhart of Dirk Degenhart and Partners, 140 Sloane Street, London SW1X 9AY; tel. 01-730 5608 and 0341, or 01-994 7620.

Business and Investment Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

CONTRACTS

£2.4m power station order for Merrol

Fire protection costing £2.4m is to be installed at Heysham stage two nuclear power station by **MERROL**, Bilston. The contract to design and install the fixed fire protection systems for the Heysham "completion project" was awarded by the CEGB in consultation with the National Nuclear Corporation. Merrol will supply fire pumps, fire mains, automatic sprinklers, foam systems and a 100 water spray installations with detection and alarms for the nuclear island and the conventional part of the station.

★

British Telecomm has ordered 192 **DODGE** light trucks worth over £1½m. The 5600 kg (5.51 ton) gvw models will be of 404 cms (159 ins) wheelbase and be fitted with the Perkins 4.236 diesel engine and Dodge four-speed, wide-ratio gearbox. They will be fitted with a box body for operation as general purpose service and repair vehicles throughout the UK.

★

VICKERS-DAWSON, Cleckheaton, has won an order valued at over £200,000 to supply a Silverstream beer filler to Bass Brewing (Scotland and Ireland). The machine, to be installed at the Heriot Brewery, Edinburgh, will have 100 filling valves and 20 crowning heads. It will have pre-evacuation and will fill beer and lagers in ½ pint and 1 pint bottles at 700 and 450 bottles per minute respectively.

★

Monsanto has placed orders with **FISHER CONTROLS** for two MARCUS 16 microprocessor control and sequencing systems with two DEC printers for the Ruabon works. Costing over £76,000, the equipment will be installed in a centralised control room and four colour VDU's for the operator interface will be provided. It will be used on production lines where Monsanto manufacture two rubber chemical accelerators, mainly used in the tyre industry.

★

A large gate weighing 300 tons with a span of 36.6 metres and a depth of 10.8 metres which will be suspended between two towers, is part of the scheme to save London from tidal surge flooding. The gate is the largest of a series of five which will be installed across the River Roding at Barking Creek, by the manufacturer, **NEWTON CHAMBERS ENGINEERING**, Sheffield, as part of a £3m contract awarded by the Thames Water Authority. The gate will be raised and lowered by electro-mechanical drive to control rising tidal water as required, while giving uninterrupted headroom of nearly 50 metres to river traffic.

★

Henry Balfour and Co, Leven, a division of the Sybron Corporation, is making reactors and storage vessels worth about £400,000 for a new vitamin C production plant being built by Roche Products, part of the international organisation—F. Hoffman La Roche and Co. AG. at the factory near Dalry in Scotland.

★

As part of modernisation policy, National Girobank has placed an order with **INTERNATIONAL COMPUTERS** for two 2966 computers, together worth £1.7m. The computers will be installed later this year at the Bank's operation centre at Bootle, Merseyside.

★

DODGE has been chosen by the London Fire Brigade as the chassis for 36 pump ladder fire-fighting vehicles with HCB Angus bodywork, worth in total some £1.4m. The Dodge fire tender chassis is a special 10.33 tons gvw version of the 100 Series Commando G13 and is fitted with the Perkins V8.540 engine and Allison automatic transmission. The fire engineering and bodywork installation will be built by HCB Angus at Testwood, near Southampton, retaining the Dodge tilt-cab facility for ease of engine maintenance.

★

The power and water division of **BABCOCK-BRISTOL**—a member of the Babcock Industrial Electrical Products group—has obtained contracts worth over £800,000 for boiler and local machinery controls, for four new British Petroleum Company tankers and a BP/BNOC emergency support vessel for the North Sea. The Babcock-Bristol equipment consists of engine-room local machinery controls, and control systems for waste heat boilers, which use diesel generator exhaust gases to provide hot water for general services.

★

ATV has ordered two SL-1 electronic PABX telephone systems from **RELIANCE SYSTEMS** (a GEC company). One system is for the Birmingham studios and one for the new Nottingham studios serving the East Midlands. Together the systems represent £500,000 investment in digital electronic telephone technology.

★

SEDDON ATKINSON has won an order for 29 of its 16-ton 200 model from the Halifax-based brewery of Samuel Webster and Co. With the fitting of flat platform bodies to the chassis cabs the total value of the order is around £500,000.

★

Two Plymouth hospitals—econtrolled .OAanchest — — Derriford and Freedom Fields —are installing computer-controlled telephone systems. The South-West Regional Health Authority has placed an order, worth £400,000, with **PHILIPS BUSINESS SYSTEMS**, communication and control division, for the supply and installation of two EBX 8000 exchanges.

★

Viva, a drugstore chain, has become the first UK user of **INTERNATIONAL COMPUTERS** 9515 point-of-sale controllers. The order is valued at £250,000 and includes 30 controllers, several of which have already been installed in Viva's North London branches with delivery of the remaining systems to be phased over the next 12 months.

★

Monarch Airlines—one of Britain's charter airlines—has placed a £600,000 order with **W HENSHALL AND SONS** for galley equipment in its new Boeing 737 and 757 aircraft. The airline has placed two contracts. The first is for galley equipment for two Boeing 737s, and the second is for three sets of galleys for the Boeing 757, which joins the Monarch fleet in 1983.

★

Data communications equipment worth around £500,000 has been ordered by Williams and Glyn's Bank from **ITT BUSINESS SYSTEMS** as part of a major rationalisation programme covering the bank's main London offices and computer facilities which begins early next year.

★

The Independent Broadcasting Authority has ordered a further 12 broadcast transmitters from **REDIFFUSION RADIO SYSTEMS** to extend the coverage of independent local radio in the UK. The transmitters, in a range of output powers, are valued at just over £207,000.

★

PYE TVT has a contract valued at about £100,000 from Thames Television to provide a television studio remote control system. This is said to be the first equipment of its kind to be installed in a UK television studio, and is necessary to control an increasing number of videotape sources from single control rooms. At Teddington, one of Thames Television's production centres, the system will provide a remote control system for a new VTR area. Separate control rooms are located in the complex and each will be able, using the remote system, to control up to three machines.

★

PYE TELECOMMUNICATIONS has been awarded contracts with a total value of £154,800 to supply mobile communications equipment. Among the contracts, the South Yorkshire Passenger Transport Executive has awarded Pye a £34,000 main contract to supply P5001 pocketfones and associated equipment and DAC of Burton upon Trent has placed orders valued at £60,000 for over 100 Pye portables and ancillary equipment to be supplied as part of an underground communications system for the National Coal Board.

★

To provide in-house scientific computing facilities for the development and maintenance of highway and bridge design programs for use in the UK, the Department of Transport has installed a **HARRIS H500** high performance computer system worth £250,000 at its London offices in St. Christopher House, Southwark.

BASE LENDING RATES

A.B.N. Bank	12 %
Allied Irish Bank	12 %
American Express Bk.	12 %
Amro Bank	12 %
Henry Ansbacher	12 %
AP Bank Ltd.	12 %
■ Arbuthnot Latham	12 %
Associates Cap. Corp.	12 %
Banco de Bilbao	12 %
BCCI	12 %
Bank of Cyprus	12 %
Bank of N.S.W.	12 %
Banque Belge Ltd.	12 %
Banque du Rhone et de la Tamise S.A.	12½%
Barclays Bank	12 %
Beneficial Trust Ltd.	13 %
Bremar Holdings Ltd.	13 %
Bristol & West Invests.	13 %
Brit. Bank of Mid. East	12 %
■ Brown Shipley	12½%
Canada Perm't Trust	13 %
Cayzer Ltd.	12 %
Cedar Holdings	12 %
■ Charterhouse Japhet	12 %
Choulartons	12 %
C. E. Coates	12 %
Consolidated Credits	12 %
Co-operative Bank	*12 %
Corinthian Secs.	12 %
The Cyprus Popular Bk.	12 %
Duncan Lawrie	12 %
Eagil Trust	12 %
E. T. Trust Limited	12 %
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
Robert Fraser	12 %
Antony Gibbs	12 %
Greyhound Guaranty	12 %
Grindlays Bank	†12 %
■ Guinness Mahon	12 %
■ Hambros Bank	12 %
Heritable & Gen. Trust	12 %
■ Hill Samuel	§12 %
C. Hoare & Co.	†12 %
Hongkong & Shanghai	12 %
Knowsley & Co. Ltd.	14 %
Langris Trust Ltd.	12 %
Lloyds Bank	12 %
Mallinhall Limited	12 %
Edward Manson & Co.	13 %
Midland Bank	12 %
■ Samuel Montagu	12 %
■ Morgan Grenfell	12 %
National Westminster	12 %
Norwich General Trust	12 %
P. S. Refson & Co.	12 %
Ryl. Bk. Canada (Ldn.)	12 %
Slavenburg's Bank	12 %
E. S. Schwab	13 %
Standard Chartered	‖12 %
Trade Dev. Bank	12 %
Trustee Savings Bank	12 %
TCB Ltd.	12 %
United Bank of Kuwait	12 %
Whiteaway Laidlaw	12 %
Williams & Glyn's	12 %
Wintrust Secs. Ltd.	12 %
Yorkshire Bank	12 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 8%. 1-month 8½%. Short term £8,000/12 months 11.85%.

† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9½% and over £50,000 10%.

‡ Call deposits £1,000 and over 9%.

§ Demand deposits 9½%.

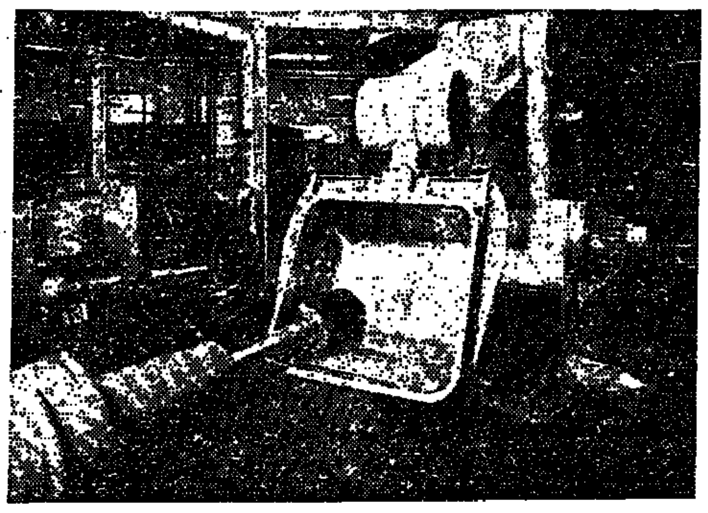
‖ 21-day deposits over £1,000 10½%.

TECHNOLOGY

EDITED BY ALAN CANE

Battle of the robots looms

BY GEOFFREY CHARLISH



AN ASEA 60kg robot used for polishing stainless steel sinks.

THIS YEAR more than 2,500 "robots"—really programmable manipulating arms — will be installed in Europe acording to Bjorn Weichbrodt who is general manager of a new division that Swedish electrical giant ASEA has just set up to exploit the market.

"We already have a third of the European business," claims Weichbrodt "and 10 to 15 per cent of world sales."

With an average price tag of £30,000 for these devices, the European market is, therefore, put by ASEA at about £75m. Its growth rate, even under current economic circumstances (or perhaps because of them) is generally agreed to be 25 to 30 per cent.

With an eye on business in the UK, which, although felt by ASEA to be "slow" could nevertheless expand every bit as rapidly as the microprocessor. The company has opened a 58,000 sq ft systems and demonstration facility at Milton Keynes.

Together with the acquisition in April of the robotics segment of Electrolux and the setting up of centres like that in Milton Keynes, in Frankfurt, Detroit and Paris, it is evident that ASEA is preparing itself for the battles to come with competitors such as Unimation, Cincinnati Milacron, Siemens and whatever onslaught the Japanese may yet make.

The acquisition of the Electrolux division adds a range of pneumatic-powered systems to ASEA's all-electric arms, widening the market potential.

The Swedish company is also building up "considerable resources" for the marketing of systems by its subsidiaries in most of the major industrialised companies.

It has already achieved what it considers to be a breakthrough in the West German car industry. Daimler Benz has bought 38 units and BMW 67; the orders total £3.5m. Ford is using four units at Swansea and Wulfrath (Germany) for deburring wheel parts.

ASEA is convinced that many sections of UK industry are now considering important investments in automatic production equipment in order to maintain a competitive position in international markets.

This was an important factor in setting up the Milton Keynes "robot centre" where there are two enclosed development and applications areas for confidential work, a lecture room where customers' personnel can be trained, a conference room and a workshop.

Britain, as has now been widely emphasised, is near the bottom of the league table in terms of installed units. One expert, Professor Keith Rathmill of Cranfield Institute of Technology said that on balance manufacturing management was more at fault in holding back on investment than organised labour had been in terms of resisting the job losses it was supposed would result.

The key point — also made by ASEA's Weichbrodt — is that the UK's competitors will certainly use these devices so that UK managements will have no alternative but to do so too, apart from quitting one industry after another.

At the moment claimed Rathmill, Britain's industry was not just declining, but collapsing and he saw the need to use automation as imperative.

On the other hand, like many experts in the electronics-based and potentially labour-displacing industries, he seemed to have no convincing solution to the long term job losses among lower grades of labour that ultimate mass automation would produce.

In any event, the units made by ASEA and its competitors are capable of a wide range of tasks, basically of a handling and "presenting" nature — tasks which in the view of ASEA and the experts are boring, frequently dirty and sometimes dangerous.

There are now two basic ASEA models, able to handle 6 kg and 60 kg respectively. They both have five movements: overall rotary, radial, vertical, rotary wrist and wrist bend: the larger model can also perform a wrist sweeping movement and the smaller one can travel horizontally.

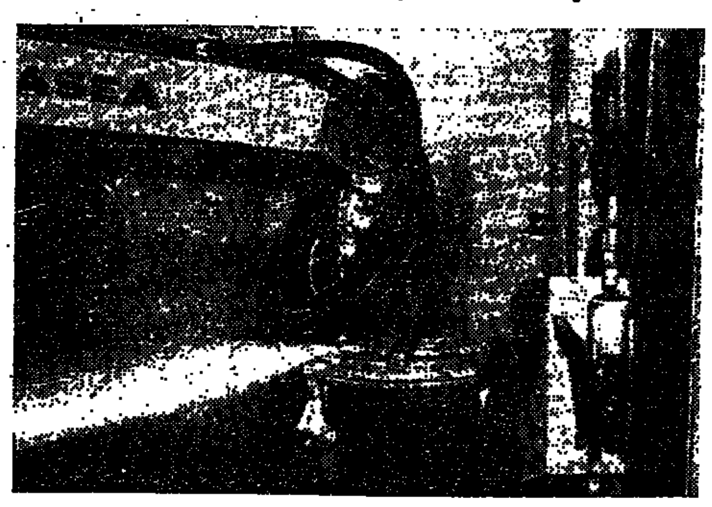
Repeatability is claimed to be better than plus or minus 2 mm for the small machine and 4 mm for the large.

ASEA believes that one of the most important applications of these machines will be in group formations, where one or two arms can keep perhaps half a dozen or more manufacturing devices such as machine tools in 24 hour operation.

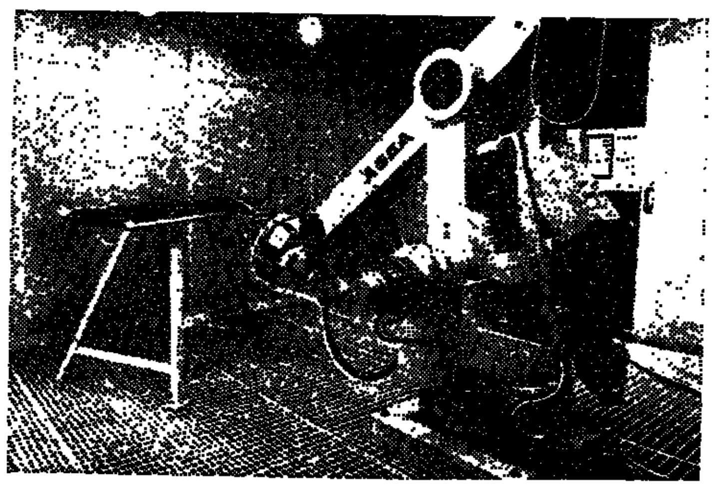
Programming is relatively simple. Using a detachable keyboard the operator runs the machine through its sequence of movements — at any convenient speed with breaks to suit—and by button depression records the sequence on memory.

The arm then plays back the sequence *ad infinitum*, without tiring and with invariable quality. Such programs can be kept on magnetic tape cassettes and then "loaded" into the controller when needed.

ASEA expects a turnover of £20m in robots this year and some 700 are expected to leave the Swedish factory.



CLEANING a casting with a 60kg robot.



THIS robot is a 6kg one installed in Sweden.

Norway tie-up to boost range of polyester pultrusions

A SMALL Northants company has just completed a deal with Drapol of Norway to increase its range of glass reinforced polyester pultrusions. RP Structures of Wellingborough (0933 664495) claims that under the agreement the company will be able to offer one of the most comprehensive range of profiles in Europe.

Under the agreement, Drapol has installed a pultrusions line costing more than £100,000 at the Wellingborough factory and has also taken a share of the equity of RP Structures.

More than 200 profiles, angles, channels, tube, rod stock, flat sheet and I beams are available.

RP Structures, set up three years ago, is selling about 30 to 40 per cent of its output in the Middle East.

..POINTERS..

Plastics savings

AIMED AT providing opportunities for the plastics industry where the high cost of production tooling inhibits the introduction of new products other than for mass production, Ex-Press Plastics of Harleston, Norfolk, has introduced electroformed tooling suitable for that industry.

When applied to toolmaking, Ex-Press says, the electroforming process reproduces the exact form and finish of the required die or mould without machine operations, thus obtaining cost savings. More on 0379-852152.

Time-saving accessories

KINGSLAND Engineering can supply from stock four new time-saving accessories in the form of basic guides and supports to facilitate repetitive steel cutting, punching, notching and shearing for use with its range of universal Steelworkers. Kingsland claims that these accessories increase production capacity because it takes so much longer to re-set work pieces by hand. Further information on 01-739 6357.

Mecon range

MECON, an associate of the Matchless Group, is manufacturing and marketing a range of electro-chemical sinking machines suitable for the batch or volume production forming of shapes, using tool movement in one axis only. A new range of ECM deburring machines has also been introduced. This allows fast, high volume component deburring. More on 0908-70912.

Motor units

First of a new family of geared motor units, claimed by Neco (Norman Electrical Company) of Portsmouth to be smaller, quieter and price competitive with other designs, will be coaxial (in-line) with each unit overlapping the next in power capacity.

Neco says the new gear-motor aims to give design engineers consistency in appearance, construction, mounting configuration and speed options in three main power capacities, while being flexible in choice of motor and other details. More on 0705-370988.

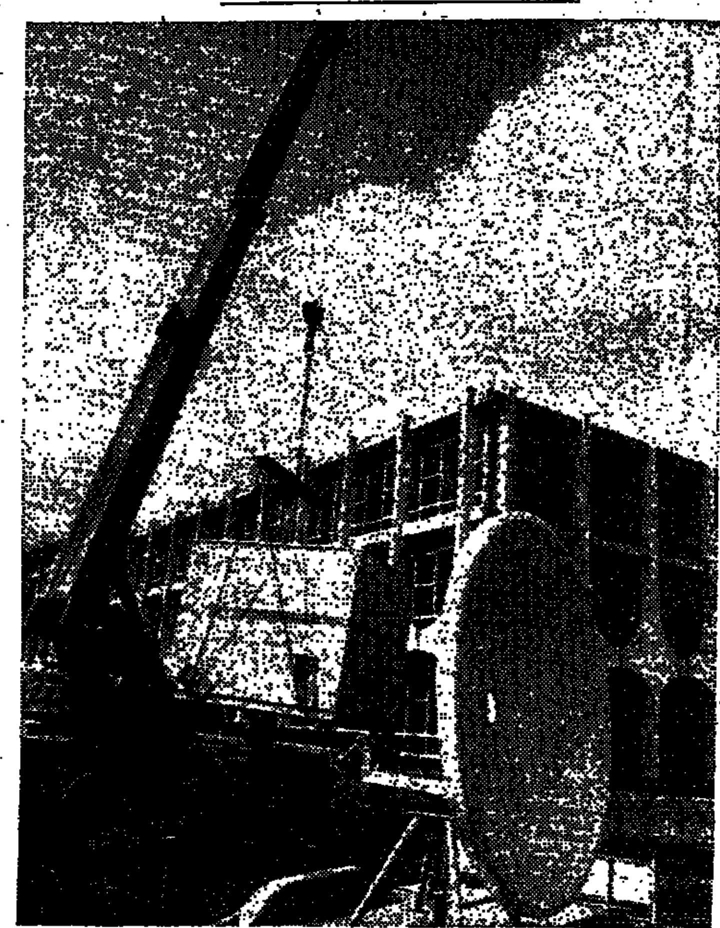
Butt-welding

BIELOMATIK of London manufacturers of hot plate welding equipment has introduced a new machine for butt-welding sheets of polythene foam. Designated the SMS, the machine is electro-pneumatically operated and has a stainless steel sword which can accommodate material up to 100mm thick. The company is on 01-761 1211.

Philips interface unit

PHILIPS has extended its range of sample handling facilities for its X-ray spectrometers with the introduction of an interface unit permitting on-line linkage to Herzog automatic preparation systems, such as its 300 position sample charger.

The new units, the company states, are designed to enable the PW1400 (sequential) and FW1600 (simultaneous) spectrometers to carry out repetitive determinations on large batches or continuous throughputs of similar samples. Process control analysis on steelworks, cement plants, mineral and ore processing are some applications. More on 0223-358866.



IBA space link-up covers the Madeiras

THE IBA's experimental "up-link" space unit has been used for the first time to provide viewers in Portugal, Madeira and the Azores with pictures of the National Day celebrations in Madeira. The unit has been used previously, in conjunction with Eutelsat's OTS satellite to provide the first TV space links from the Channel Islands, the Irish Republic, at the time of the Pope's visit, and has also been demonstrated in Switzerland. The up-link terminal has a 2.5 metre Cassegrain aerial mounted on a trailer fitted with outriggers. The transmitter housed in a metal cabin is a 1.5 kW 14 GHz.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A canny way of keeping up the competitive pressure

Hazel Duffy examines the UK strategy of American Can

THE FIRST thing that Maurice Glynn did when he became managing director of an American-owned subsidiary in Britain was to change its name to give it an unmistakable American stamp. The company was Reads, a long-established maker of cans which still went by its British name. Yet it had been taken over 12 years previously by American Can.

"The company was suffering from a confused identity," says Glynn. "A lot of people assumed we were part of the Reed packaging group. We needed to make them know where we came from." His decision was reinforced by the fact that he was assuming responsibility for a brand new plant at Runcorn, Cheshire, which is a "mirror image" of American Can's most modern plants in the U.S.

The name change apart, however, Glynn set out on his appointment in March 1980 "to maintain forcefully the company's British identity. My idea is that it should have an all-British management team and more British representation on the board." He is pleased that he has managed to slip the colours of red, white and blue into that American Can logo which adorns the outside wall of the new Runcorn factory.

American Can is one of the largest manufacturers of cans in the U.S.

In the UK it had plodded along with its Reads subsidiary to maintain a respectable share of the market for food and beverage cans, although always running a very poor second to the dominance of Metal Box; its current market share is 15-20 per cent. But the growing importance of two-piece beverage cans—involving a quite different technology to the traditional three-piece canmaking method—has led to American Can, and its U.S. competitor Continental Can, challenging Metal Box on its home ground.

American Can chose Runcorn as the location for its first two-piece plant in the UK, which is to be opened officially on Friday. The plant is a replica of those built recently for the group in the U.S. and other parts of the group's expanding empire in Latin America, South-East Asia and Canada.

Once having decided that the UK would be the focal point of its long-term European activities, American Can set about finding a British manager to shape a programme which would assimilate the new technology. Glynn was headhunted from Plessey Telecommunications where he had been chief executive for four years and before that finance director. The switch from telecommunications to can-making for a man of 49 may have looked odd, but Glynn maintains that his selection was not without logic.

"American Can was looking for a manager who knew the British industrial relations environment, and who had managed changes in technology, which I had done at Plessey." His skills at bringing in new technology had also to be matched with those of phasing out the old. While bringing the Runcorn plant on stream, Glynn has had to manage the delicate task of closing down the old Read plant in Liverpool.

Planning

Although American Can has other plants in the UK—at Grantham, Milton Keynes and Rhymney — Read's historical links are in Liverpool, where it also has its head office. That too is to close before long under Glynn's plan to centralise administration and marketing at a new location in the North West.

The move is likely to involve redundancies, since marketing is presently housed in Watford in the South East: the head office functions will also be slimmed. Thus it has fallen to an Englishman to effect the sort of painful tidying up which is normally guided in multinational organisations by the remote planning of the far-away head office.

Glynn claims that Reads was organised in a way that "reflected where it was rather than where it was going." His plan involved centralisation of the control of manufacturing operations, accompanied by decentralisation of the management of the plants. The computerisation of production control and materials management is at the core of the new system, which will be fully operational by September. Glynn had undertaken a similar project at Plessey which gave him valuable experience.

He also brought in Rennie Akins from Plessey to become director of materials management. Akins' job involves him in planning and procuring the materials for all the plants, distributing the finished product and control of the manufacturing process in between. The computer system was designed by IBM in the U.S. in conjunction with engineers from American Can; training of the British systems staff in the U.S. in readiness for running it in the UK was one of Glynn's top priorities.

The speed with which the computerised control system can be adapted to changing demands in the market place is a key advantage in ensuring that the plants run at maximum efficiency in terms of materials and labour planning while stocks of materials and finished goods are kept at a minimum. The arrangements involve the shop floor working nights and bank holidays at certain stages.

The system has already proved the point with the poor summer weather. The production of cans is highly seasonal, and plants are usually geared up to peak production in the spring and early summer months in anticipation of summer demand. Consumption of canned beverages and beer, in particular, rises with the thermometer.

Summer this year has hardly happened so far, and Glynn is thankful that the production programme could be adapted so that excessive stocks have not been built up. Likewise, if the sun does suddenly make an appearance, the computer programme can be changed to switch back to increased production.

Traditional

At the same time as the new management systems are being implemented, investment in the British plants (other than Runcorn, which is completely new) is being planned. Soudronic welding, which reduces the lead content in cans, will be introduced at the Grantham plant where cans for food are made and it is likely that two-piece cans for food packaging will be made at Grantham before very long. American Can is well advanced in applying this technology in the U.S. although in the UK it is still in its infancy. The Milton Keynes and Rhymney plants will also be up dated.

The change from the traditional three-piece to the two-piece can has come about much more quickly than the manufacturers anticipated, or indeed wished. American Can's investment at Runcorn, and Continental Can's at Wrexham, have forced the pace on the market leader, Metal Box. The two American companies have also had the great advantage that they have managed to negotiate single trade union representation at their new plants, while Metal Box has had to wrestle with the multiplicity of unions much more common in British manufacturing.

The decision to locate the £20m plant at Runcorn was not without design. Bass has the largest brewery in the country close by, and Guinness supplies the North of England from its brewery in the same area. As a general rule, transporting empty tin cans does not make economic sense and Glynn is clearly hopeful that these brewers might choose his company as at least one second source of supply. So far, the largest customer of Runcorn is Whitbread, which will take 100m cans annually.

Two-piece can technology is highly capital intensive. Runcorn employs only 125 people (the old Liverpool plant had a workforce near 800 at one time). The plant is run with a minimum of indirect labour. There is no canteen, for instance, the employees apparently being quite happy with the impersonal arrangement of vending machines and microwave ovens.

Glynn was determined to avoid the poor labour relations which had dogged the Liverpool plant. The new workforce was handpicked following advertising and visits by American Can personnel to major cities around the country. Every prospective production worker had to take a mechanical aptitude test. Once selected, around one third were sent on a two months training course in the U.S., at a cost to the company of $6,000 per person.

The technical direction of the plant is still in the hands of American engineers, but they will hand over to the British within the next year. Glynn knew when he took over the job that he would not be able to rely on permanent technical help from the parent company —and he would not have wanted that—so it was important from the start that he be given the opportunity to have well-trained staff from the shop-floor upwards.

Hugh Routledge

Maurice Glynn in his Runcorn factory, a "mirror image" of his most modern U.S. plant

It is this sort of rapport which has made American Can's subsidiaries round the world such an important contributor to its profitability. Last year, for instance, the overseas container and packaging companies made a $70m profit out of total profits for the whole division of just $153m. Turnover of American Can (UK) is around £75m annually, and Glynn insists that he is making a reasonable profit on this.

Intention

Once the UK is running reasonably smoothly, Glynn will direct some of his attentions to the Continent, where American Can has a number of licensing arrangements with domestic canmakers, and for which he has responsibility.

An essential feature of the licensing agreements are that the American company will keep the technology of the European companies "up-to-date." Glynn envisages that it may well be necessary to put in funds, in return for equity, in some of the companies in order to set them up with the two-piece can technology. In addition to Europe, he also has responsibility for the Middle East and Africa, where his brief is to develop business opportunities as well as packaging outlets.

The UK, however, is likely to take up much of his time for a while. An accountant by training, Glynn is not given to setting ambitious market share targets. "My intention is not to lead in the UK but to be ready to match the competition so that I can maintain our present position."

This may not seem ambitious, but it is, and will be far from plain sailing. The UK market is suffering from overcapacity, not least by the decisions of the two American companies to invest substantially in this market, in Continental's case for the first time. At the same time, the growth in consumption of canned beer and beverages that has taken place in recent years is being checked increasingly by the growing popularity of other forms of packaging, notably the 1½ and 2 litre plastic beverage bottles. Canned foods—apart from pet-foods—have been losing out to frozen foods for years.

While the parent company pursues its expansion around the world—the latest plant is under construction in Guadalajara, Mexico—Glynn is convinced that Runcorn is the last canmaking plant that will be built in the UK.

EEC 'has role as research catalyst'

EUROPEAN BUSINESSMEN are suspicious of proposals for increased EEC support of research and development in industry, according to a survey of managers in a cross-section of industries in the five main Community countries.

In general, they consider that "under normal circumstances" there is no serious shortage of money for worthwhile industrial research and development projects, and that the injection of additional funds might activate projects that would be considered commercially marginal.

Some managers in industries experiencing severe competitive pressure (notably electronics, motor manufacture and textiles) plead for public support. But this is usually made in the context of innovation in general, and does not support the executive involvement of the EEC in the direction of research and development effort.

On the other hand, some managers in capital intensive industries feel that the pilot plant or demonstration stage of innovation is often hindered by lack of finance, and that this might be an area for EEC involvement.

These are some of the main conclusions of a study for the European Commission aimed at identifying the types of research and development support Brussels might give over the next three years. The study was carried out under the auspices of the Oxford Centre for Management Studies.* Many of its conclusions could presumably be applied to national support of research and development by individual Governments.

The more positive conclusions of the study, which took in over 40 companies in France, Germany, Italy, Netherlands and the UK, are that:

- There is a major need for an extended Community effort in basic research;
- that the EEC may have a role in catalysing co-operation among companies in order to achieve to achieve the economies of scale needed to support research and development and to invest in manufacturing technology;
- that Brussels might be more active in sponsoring "contextual research" on the legislative, regulatory and general context in which industry operates.

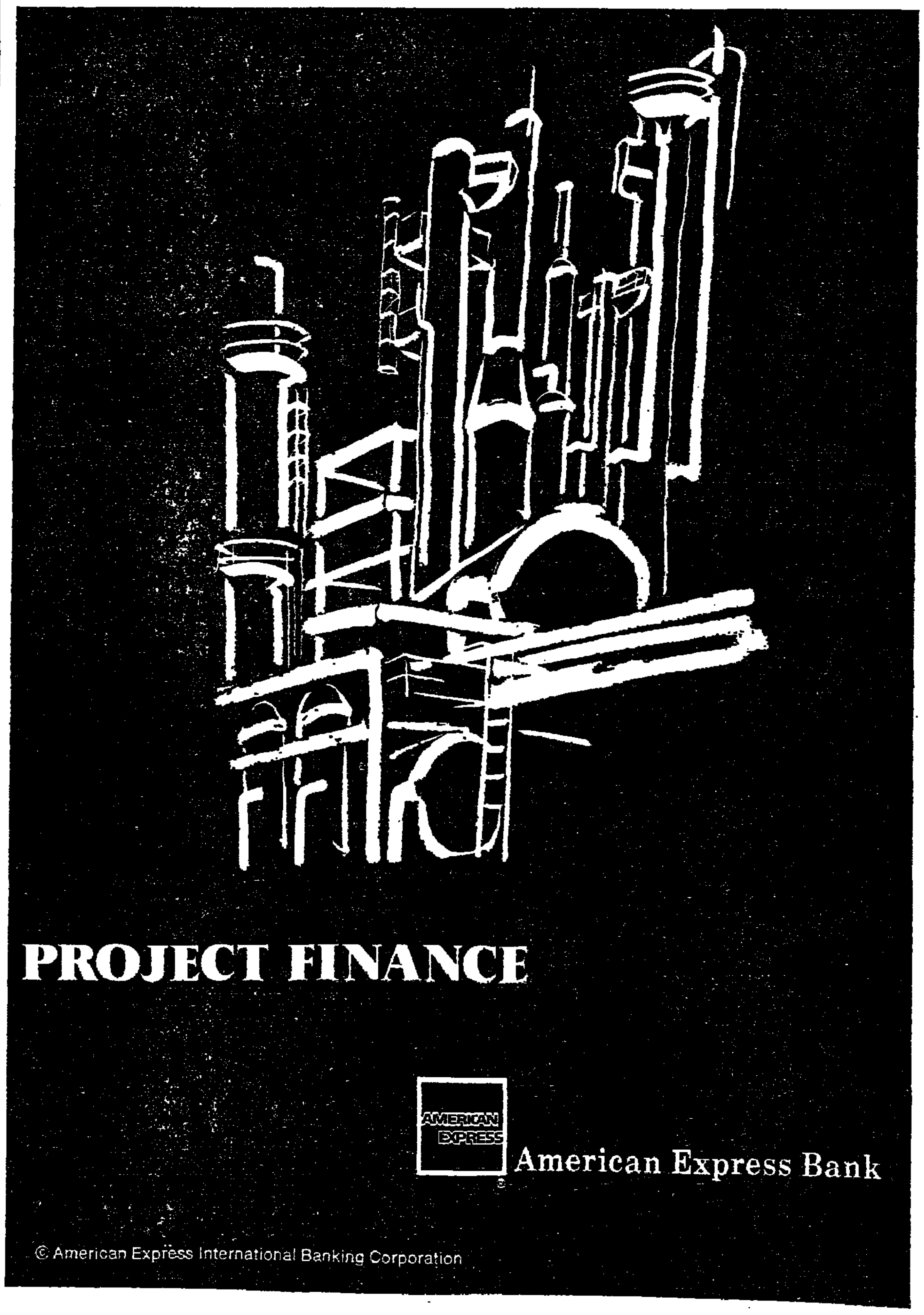
The report drew a sharp distinction between basic research, which it defined as an advancement of science and technology without intending early applications and commercial gain, and on the other hand industrial research and development, with the specific intent of early application and gain.

Apart from the danger of encouraging uncommercial projects, the main reason given against EEC funding of industrial research and development was opposition to "administratively sponsored research and development." This, respondents felt, suffered from inevitable delays in central administration and slowness of response to changing circumstances, and a need to share some of the results with potential competitors.

According to the study the fundamental reason for the respondents' opposition to EEC funding lay in their perception of research and development as only a part of the innovation process, alongside other market-orientated functions which have to be managed commercially.

Community Industrial Research Priorities for the early 1980s. Oxford Centre for Management Studies, Kennington Road, Kennington, Oxford, OX1 5NY.

Christopher Lorenz



LOMBARD

Opec—bogeymen now bystanders

BY DAVID MARSH

ACCORDING TO to the conventional wisdom of the last couple of years, the oil-exporting nations collectively have been pouring sand into the carburettor of the world's currency markets.

In fact, Saudi Arabia, Kuwait and the other high-surplus Gulf oil states have—through a mixture of accident and design—been helping to stabilise rather than *disrupt the foreign* exchanges.

The trend is set to go a stage further. All the signs are that the oil exporters are becoming bystanders, *rather than* bogeymen, in the international financial arena.

Surplus

First and foremost, there are encouraging signs that the Opec surplus is falling faster than was originally forecast after the second oil shock of 1979-80.

Last year, according to the Bank of England (whose classification includes Opec plus a few other, mainly Gulf, oil producers), the oil states' current account surplus totalled $106bn, 20 per cent less in inflation-adjusted terms than in 1974, the first year after the first oil shock.

Less than that may actually have been available for investment once account is taken of gold purchases, arms deals and other shady transactions that rarely show up in statistics.

During the first quarter this year, the surplus was down to $22bn. At this rate, the surplus for the whole of 1981 could be down to $70bn or less—depending of course on whether the West maintains recession, price and weather-induced oil saving, and how long the Iran-Iraq war drags on.

The forecast by the International Monetary Fund that the surplus will be around $100bn this year now looks much too pessimistic.

Far more likely is the forecast by Dr Jelle Zijlstra, the wise old owl of the Bank for *International Settlements* and the Dutch central bank, that the surplus could disappear over the next few years just as quickly as it did between 1974 and 1978.

There are several myths to be cleared up about Opec.

● By changing large amounts of their dollar revenues into D-Marks, gold and yen (which have all weakened lately against the dollar), the oil states have actually helped stabilise the monetary system. Gold purchases, in particular, may simply have been misguided *investment management*. But Saudi Arabia, for one, is to be praised for making its large and deliberately counter-cyclical purchases of D-Marks during *the last 18 months*.

The main movers of speculative funds on today's markets are the big international corporations, now free of currency controls in most countries. One large European company reportedly switched $1bn worth of D-marks into dollars during a spell of foreign exchange unrest earlier this year—and has profited handsomely from the transaction.

● Opec has also played a constructive role in financing balance of payments disequilibria. DM-denominated loans from Saudi Arabia have not only helped West Germany to finance its current account deficit, but, in effect, have enabled German banks to carry on lending to the rest of the world at a higher rate than would otherwise have been practicable.

The emphasis of oil money recycling may now shift away from the industrialised world. The Gulf States' largesse instead could be channelled more towards fellow Opec members like Algeria which themselves are becoming strapped for funds.

● It is not only Opec which profits from high U.S. interest rates. The central banks in Germany, Japan, Switzerland and the UK (all of which hold most of their reserves in dollars and have to supervise little or no dollar-denominated official foreign debt) have been making vast profits out of the much-criticised U.S. monetary squeeze.

Of course Opec investment also brings complications. Perhaps the most serious is faced *by the new Paris government*. With large amounts of French francs held by big Arab investors, France's new position as a reserve currency centre may *make it more difficult for the* Socialists to carry through the necessary and long-overdue devaluation of the franc within the European Monetary System.

A new lease of life for sponsored films

DESPITE THE gloomy tone of this column a fortnight ago, bemoaning the loss of magic in the cinema—and in the sponsored film particularly—there is a current of hope in the air for those in this business. It comes not from creative standards, which are unlikely to improve in the foreseeable future, but from *new opportunities in reaching* audiences.

The breath of freshness is provided by television; broadcast and also what has been called narrowcast television (a trendy name for video).

In the case of broadcast television, many producers and *sponsors are getting optimistic* about opportunities which the UK's new Channel Four may offer, despite cautionary noises from the IBA and others about the constraints that may apply. (Even the word "sponsorship" is frowned upon because some broadcasters imagine it to mean paid-for air time, whereas the word *springs* from a noble tradition of disinterested patronage in the 1930s when industry financed the birth of British documentary.)

Video is also yielding encouragement for industrial sponsors and producers alike. An entire new audience group has become accessible; not only through *nearly 750,000 video recorder* owners and domestic users in the UK, but also through the convenience of video in the office and factory—meaning that *films or programmes* can be shown with ease where once 16 mm film was too elaborate to contemplate. In consequence, it is perfectly justifiable for one programme to be viewed by individuals or small groups, at *their* convenience and without an operator in attendance.

In consequence, I detect a subtle shift in the style, aims and even subject-matter of more recent sponsored films. With half an eye on television exposure, underwritten by a certainty of some kind of video distribution, two types of film are emerging: those with more general audiences in mind, but without the need for cinema-style entertainment value or distribution deals; and those aimed at very specific viewers who were once difficult to assemble as audiences in a darkened cinema.

A good place to test this theory was at the British sponsored film festival held in Brighton two weeks ago. For example, one of the category winners was from an unusual series on calligraphy sponsored by Parker Pen International, *Alphabet—The Story of Writing*. The series traces the development of handwriting from primitive man to the present day and does it in an economical, straight but absorbing style (with a remarkable calligrapher, Donald Jackson, showing how easy such a delicate skill can be made to look).

During Brighton week this series was bought, on the spot, by a representative from a major ITV company. It will make interesting television viewing and should find a busy life on videocassettes.

Yet at one of the seminars in Brighton, devoted to Channel Four and the sponsored film, it was revealed that there are proposals before the IBA to impose various strict conditions on sponsored films shown on Channel Four. One of these is that "no sponsor should be allowed to support a programme directly related to the sponsor's business activities." So out would go Parker Pens' calligraphy series, and likewise some of the classics mentioned in my last column (eg, Standard Oil's *Louisiana Story*, British Rail's *Terminus*).

This is, of course, absurd and one hopes that common sense will prevail in Brompton Road. Otherwise one of my own great favourites at Brighton might be similarly denied Channel Four but pass the test for ITV or BBC.

This was *The Making of a Crew*, for the Royal National Lifeboat Institute through the help of Churches Television Centre. My very uncalligraphic notes made in the darkened cinema say, spontaneously, "really wonderful film." Although seen in a cinema, this is television documentary at its best—the close and sensitive observation of a lifeboat crew and how they work, train and mix together.

Pivoting on the remarkable personality of the coxswain, one Charles Bowry—as natural a leader of men as I have ever seen on the screen—this is a film which really distils the essence of its subject: danger, professionalism, *discipline*, commitment and sacrifice. Splendid, gripping and good enough for the opening week of Channel Four.

Who would believe, too, that a prizewinner in the medical category at Brighton would be potential television material? Sponsored by Merck, Sharp and Dohme who—yes, IBA—have a powerful vested interest in the subject of the film, this is the extraordinary chronicle taken from the true published notes of a GP whose sight was failing.

To be perfectly honest, this film—title *The Darkening Year: Chronicle of a Myopic Life*—is too specialised for general audiences (it is only aimed at opthalmologists). Its purpose is to remind eye specialists of "the human factors involved when treating a long term eye disease."

In this case, the patient is a woman GP who knows what is happening to her sight and finds that the disease is impeding her own diagnostic work. The emotional struggle in coming to terms with this is portrayed with great poignancy and this dramatised account of the GP's story is infinitely more watchable than the majority of television soap opera.

Such a film, soon to be available on videocassettes, will almost certainly reach more opthalmologists than on 16mm release alone. And I doubt if, four or five years ago, such a specialised film would have been treated in such a televisual and realistic way—or at least so confidently.

Equally specialised in their aim and narrowcasting at its best (to use the video buzz word), were a number of films entered in the sales-service category. Some of these are promoting marketing services in which only one person may be the intended audience—sitting in his own office watching the programme on a videocassette. Thus two crisp nine-minute films for Adshel—*Street Life* (showing to advertisers the advantages of Adshel bus shelter poster sites) and *A View of Supersites* (about the sponsors' larger poster hoardings).

If I had not been suffering so severely from the inefficiencies of my own local postal service, I would also have greater enthusiasm for *Selling By Post*, a more conventional film from the Post Office and about direct mail. Grudgingly I confess that *this is an interesting film* which promotes the concept of direct mail very well, especially through some successful case histories; but the cinema always did handle idealism rather well.

What is now happening in sponsored films, I suspect, is the discovery of television and video as more important means of distribution. If the excitement is vanishing from the films, so too is the convention of *the marshaled audience* in the darkened cinema. It could mean a new lease of life for the sponsored film, but with productions of an increasingly different kind from the traditions of the past.

Readers of this column on April 14 may recall that it gave a blow by blow account of the judging of the Financial Times Export Award—without actually revealing the winner. This was announced at Brighton: George Wimpey's intelligently conceived *Fine Tuning*, an impressive account of the resurfacing of the runway at Manchester International Airport.

FILM AND VIDEO

BY JOHN CHITTOCK

Trainers set for prizes record

ENGLISH TRAINERS are already well on their way to picking up record prize money abroad this year, having collected a remarkable £250m or so during the first five months of the season alone.

Thanks mainly to initial successes in European group one races such as the Poule d'Essai des Poulains (Recitation) the Italian Derby (Glint of Gold) and the Gran Premio d'Italia (Kirtling) the total sum won overseas by our trainers had reached £246,902 by the end of June. This represented an all time high for that period.

Since then Madame Gay has provided a handsome boost to the figure through her victory in the Prix de Diane while at the weekend Junta, Belloc and *Galveston* continued the good work.

Leading the table for the top overseas English trainer and, incidentally, the first International Racing Bureau award for the most successful in the category, is Paul Kelleway, whose Madame Gay picked up about £74,000 when losing her maiden certificate in the French Oaks.

That massive purse enabled Kelleway to jump ahead of Guy Harwood for whom Recitation and To-Agori-Mou picked up more than £56,000 through their efforts in France and Ireland respectively.

Ian Balding has passed Harwood having secured another £20,000 in Belgian francs at the weekend through Junta's victory at Groendael. That success followed the second placed effort of Junta (a colt of Brigadier Gerard) in the Grosser Hertie Preis and Glint of Gold's Italian Derby triumph. Balding has now secured almost £[illegible],000 in foreign exchange.

Others among the money overseas have been Hastings-Bass, Hindley, Tree, Armstrong, Kent, Hills, Pittain, Ryan, Dunlop, Callaghan, Baker, Guest, Austin, [illegible]son, M. Jarvis, G. Balding and Taylor.

RACING

BY DOMINIC WIGAN

BRIGHTON

2.00—Childown Blue**
2.30—Fiesta Fun***
3.00—Leopard's Rock
3.30—Lightning Boy
4.00—Blackbrook Melody*
4.30—Flash Gordon

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S. 836 3161. CC 240 5258. [illegible]

COVENT GARDEN. [illegible]

GLYNDEBOURNE [illegible]

SADLER'S WELLS THEATRE [illegible]

THEATRES

[illegible]

THEATRES

[illegible]

CINEMAS

[illegible]

TV/Radio

+ Indicates programme black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.05-11.37 For Schools, Colleges. 12.55 pm Pobol y cwm. 1.27 Regional News for England (except London). 1.30 The Flumps. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships 4.18 Regional News for England (except London). 4.20 Play School (as BBC2 11.00 am). 4.45 The Record Breakers. 5.10 John *Craven's Newsround*. 5.15 Ask Aspel.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 *Wimbledon highlights.*
7.15 Medical Express.
7.45 The Tuesday Film: "The Alpha Caper" starring Henry Fonda.
9.00 News.
9.25 Facelift: A report on the Cosmetic Surgery Business.
10.15 Goodbye Darling . . .
11.05 Athletics from Crystal Palace.
11.45-11.50 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales — 5.15-5.40 pm Bilidowcar. 5.55 Wales Today. 6.15 Heddiw. 6.35 Join BBC1 (Wimbledon). 11.45 News Headlines, News and Weather for Wales.

Scotland—1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.45 News Headlines, News and Weather for Scotland.

Northern Ireland — 4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (*Manchester*); *Midlands* Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.30 Supervisors.
11.00 Play School.
2.00 pm You and Me.
2.15 Wimbledon Lawn Tennis.
7.30 Mid-Evening News.
7.40 Images of War.
8.00 International Dressage.
8.30 The Theatre Quiz.
9.00 Rhythm On Two with The Swingle Singers.
9.25 Maybury.
10.20 Wimbledon highlights.
11.00 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Paperplay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus Summer Season. 2.45 The Spoils of War. 3.45 Looks Familiar. 4.15 Road Runner. 4.20 Razzmatazz. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Mind Over Matter.
7.30 Charlie's Angels.
8.30 You're Only Young Twice.
9.00 Paradise is Closing Down.
10.00 News.
10.30 SS 1923-1945 (narrated by Anthony Valentine).
12.00 Barney Miller.
12.25 am Close: "Sit Up and Listen," with Commissioner Catherine Bramwell-Booth.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Gardening Today. 1.20 Anglia News. 6.00 About Anglia. 7.00 Enterprise. 12.00 Music from Harewood. 12.30 am Anthology.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 3.45 Mind Over Matter. 5.15 Happy Days. 6.00 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 12.00 ATV News. 12.05 am Police Surgeon.

BORDER

1.20 pm Border News. 5.15 Welcome Back, Kotter. 6.00 Lookaround Tuesday. 7.00 *Emmerdale Farm*. 12.00 Border News Sumary.

CHANNEL

12.30 pm Gardening Today. 1.20 *Channel Lunchtime News, What's On Where* and Weather. 6.00 Channel Report. 10.28 Channel Late News. 12.00 Commentaries et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Mind Over Matter. 1.20 North News. 6.00 North Tonight. 7.00 The Entertainers. 7.30 Chips. 12.00 North Headlines.

GRANADA

1.20 pm Granada Reports. 5.15 Mork and Mindy. 6.00 Granada Reports. 7.00 Emmerdale Farm. 12.00 Today Tonight. 12.10 am Police Surgeon.

HTV

12.30 pm Mind Over Matter. 1.20 HTV News. 1.30 Survival. 5.15 Malibu Beach Party. 5.20 Crossroads. 6.00 Report West. 6.30 When The Tide Goes Out. 7.00 Emmerdale Farm. 7.30 BJ and the Bear. 10.28 HTV News.

HTV Cymru/Wales—As HTV West except: 12.00 Pili a Pali. 12.05-12.10 pm Cartref. 4.15-4.45 Caigam. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Cefn Gwlad. 11.15-11.45 Father Dear Father.

SCOTTISH

12.30 pm Gardening Today. 1.20 News and Road and Weather. 3.45 Mind Over Matter. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Take the High Road. 7.30 Vegas. 12.00 Late Call. 12.05 am George Hamilton IV.

SOUTHERN

1.20 pm Southern News. 5.15 *Undersea Adventures of Captain Nemo*. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 Vegas.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 5.15 The Flying Kiwis. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North East News. 12.00 A Re-Born Church.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Bygones. 7.00 Emmerdale Farm. 10.29 Ulster Weather. 12.00 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 6.00 Westward Diary. 7.00 Welcome Back Kotter. 10.31 *Westward Late News*. 12.00 *Faith For Life*. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

12.30 pm Looks Familiar. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Bless Me, Father. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm.

(s) Stereophonic broadcast
† Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Talkabout with Adrian Love. 8.00 Richard Skinner. 10.00-12.00 John Peel (s).

VHF Radios 1 and 2—5.00 am With Radio 2. 2.00 pm The Ed Stewart Show (s). 4.00 David Hamilton (s). 5.45 News and Sport (s). 6.00 David Symonds (s). 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (s). 7.30 Terry Wogan (s). 10.00 Jimmy Young (s). *12.00 John Dunn (s). 2.00 Wimbledon* 81: The All England Championships. 7.00 Join Radio 2 VHF. 8.00 Hubert Gregg says I Call It Genius: C.B. Cochran (s). 9.00 Marching and Waltzing (s). 9.55 Sports Desk. 10.00 *Funny You Should Ask*. 10.30 The Spinners and Friends. 11.00 Brian Matthew with Round Midnight—live from the Theatre Royal, Bath. 1.00 am Truckers' Hour (s). 2.00 You and the Night and the Music (s).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (s). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers: Roy Harris and Virgil Thomson (s). 10.00 Janacek: String Quartet No. 1. 10.25 *Pascal Roge* piano recital (s). 12.10 pm BBC Symphony Orchestra in the Far East concert, part 1 (s). 1.00 News. 1.05 Six Continents. 1.25 Concert, part 2 (s). 2.25 New Vienna String Trio (s). 3.30 The Colonne Orchestra. 4.25 Jazz Today (s). 4.55 News. 5.00 Mainly for Pleasure (s). 7.00 Franz Bruggen. 7.15 Conversations with Artists (Bridget Riley talks to Edward Lucie-Smith). 8.00 Aldeburgh Festival 1981 concert, part 1 (s). 8.35 The Golden Honeymoon (short story by Ring Lardner). 9.00 Concert, part 2 (s). 10.00 Walter Klien piano recital (s). 11.00 News. 11.05-11.15 Karl Weigl (s).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 *Today including 6.45 Prayer for the* Day. 7.00, 8.00 Today's News. 7.30-8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From our own Correspondent. *10.30 Daily Service*. 10.45 *Morning* Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.27 Down Your Way. 12.55 Weather. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 A Dance to the Music of Time (s). 4.00 Other People's Radio. 4.10 No Handicap. 5.00 PM. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.30 Brain of Britain 1981. 7.00 News. 7.05 The Archers. 7.20 The Hitch-Hiker's Guide to the Galaxy (s). 7.50 Children of the Dead End (s). 8.35 A Touch of Genius. 9.05 In Touch. 9.30 Kaleidoscope. 10.00 The World Tonight. 10.30 The Living Night. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The *Total Music Show*. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Openings. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

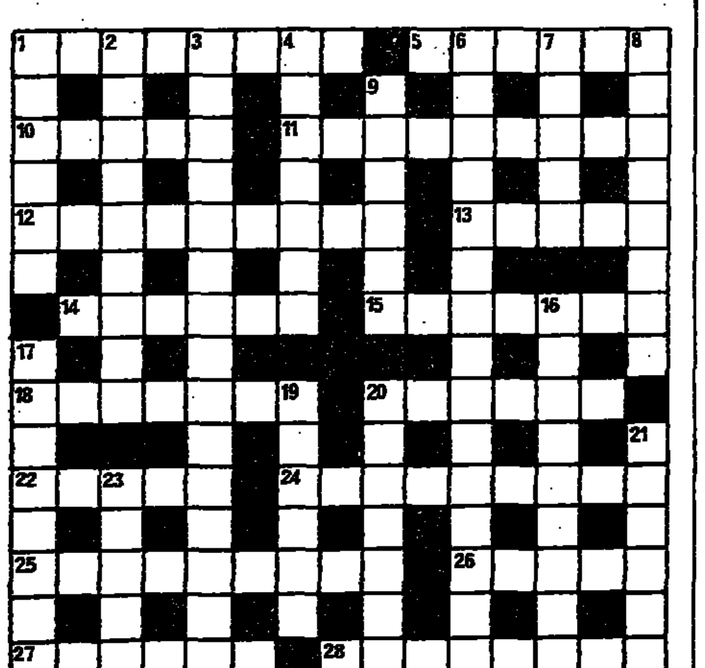
London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes with guest, actor Topol. 12.00 Peter Deeley. 7.00 pm London Life. 9.00 *Mike Dickin's Nightline*. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 LBC Special. 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. [illegible]

F.T. CROSSWORD PUZZLE No. 4,601



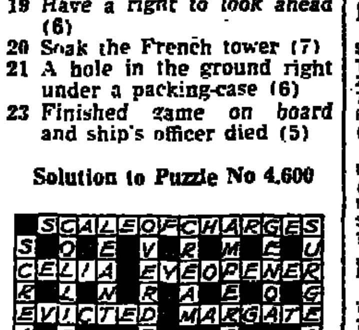
ACROSS

1 Make ready for sailing, putting article around gunners in boat (8)
5 Sore on finger from silver fastener (6)
10 Former lot returning to praise (5)
11 Having too much to bear across the French pit (9)
12 Lone price in exchange for light fabric (9)
13 Record to insert in a register (5)
14 A prescribed series of training to run a race (6)
15 Pupil or student who must 13 for 14 (7)
18 Turn to write melody in planet (7)
20 Japanese coins taken in from governing body (6)
22 Give up in return for a stop-watch (5)
24 Request from pupil that should delight teacher (6, 3)
25 Flatter vessel holding a flower (9)
26 Sailor near the stern of a vessel is totally behind at sea (5)
27 Pasturage providing editor with food (6)
28 One who regrets making salesman go in (8)

DOWN

1 Fish going around river and ditch (6)
2 In difficulties, as noodles often are (2, 3, 4)
3 From each part of the world we could get NEWS (3, 4, 8)
4 Struggle and suffer pain (7)
6 Most valuable workers with fish and what they may get when made redundant (6, 9)
7 One who sums up a viper (5)
8 Arrive with nobleman and host (8)
9 Adjourn in an alcove (6)
16 Delayed beginning of most recent craft (4, 5)
17 Irresolute and transient in horse-keeping establishment (8)
19 Have a right to look ahead (6)
20 Soak the French tower (7)
21 A hole in the ground right under a packing-case (6)
23 Finished game on board and ship's officer died (5)

Solution to Puzzle No 4,600



The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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THE ARTS

Glyndebourne

A Midsummer Night's Dream

by MAX LOPPERT

Britten, whose *Rape of Lucretia* (1946) and *Albert Herring* (1947) came to rather uncomfortable birth at Glyndebourne, is happily reinstated there this season, more than three decades late. The new *Dream*, conducted by Bernard Haitink, produced by Peter Hall, designed and lit by John Bury (and paid for by Commercial Union Assurance), opened on a deliciously balmy Midsummer's Day. Outside, the sun shone propitiously; inside, for all the international elements on stage and in the pit, it was a demonstration of a peculiarly English kind of theatrical magic that we witnessed—restrained, fantastic, funny, and strange. At Glyndebourne, in this beautifully light and loving staging, playing and singing of it, the opera in which two English poets meet on almost equal terms find its natural habitat.

In a recently published collection of interviews with Britten associates of long standing (*Remembering Britten*, edited by Alan Blyth), Peter Pears defines what the composer sought for above all in his own (and others') music—"magic and efficiency." At Covent Garden, where the precisely imagined and organised instrumental writing is always overstretched by the large auditorium, both qualities have sometimes been felt to diminish, the colours to dim, the carefully drawn threads of construction to seem thin and tricksy.

In a theatre whose dry sound qualities do no harm to the characteristic sheen of the writing, "thin" is not an epithet one would want to revive, except in the most complimentary sense. Shakespearean and Brittenian values have been strongly and equally advocated in this production, and it would be unwise to press forward a single hero. Yet the triumph is as much Haitink's as anyone's. The muscular LPO attack was to be expected, so too the vigilant balance, the firmness of forward movement; less, perhaps, the disclosure of real emotional depths to the work, felt above all in the reconciliations of the third act. Purcell has often been nominated as the score's most important ancestor; under Haitink's direction, we notice newly the rich Mahlerian undertow to such things as the opening of the second act. His is dramatic conducting of the highest order.

The work is played in two "halves"—there is only a short pause between first and second acts. When the curtain first parts, it is to show a silent scene of dark forest fantasy. As the lighting intensifies its focus and glissandi begin to sigh in the pit, the forest stirs—and its stirring affords one of the delights of the evening, for the flora (being undertaken by foliage-clad extras small and large) is as active as the fauna, and forms new patterns around each successive group of entrants. In the first part of the opera, nature can menace; paths are obscured, clothes catch on twigs, mists settle, and the dark side of the experience, to which the production attends without any false or heavy emphasis, is eloquently adumbrated.

In Act 3, as knots of misunderstanding and misadventure are untied, a path clears through the scene, beautifully lit by the rising sun—a vision of nature's healing powers unrivalled on the modern stage, in which Mr Bury seems to look back affectionately on centuries of English landscape painting. He falters—as does Britten—in the last scene by placing Theseus in a heavily-beamed Elizabethan mansion, with an awkwardly placed log fire and insufficient space for the theatricals: but the final fairy entrance through the windows revives the limpid fancy. Aerial machines and trapdoor exits are easily and wittily employed; Mr Bury's costumes show their most remarkable imaginative grasp in the fairy realm, a carefully ranked Elizabethan aristocracy of pointed heads, sharp ears, and silver-black apparel. There must be a word for the stage-management: first nights seldom go as well as this.

As in his Mozart productions in this house, Sir Peter's touch remains unequalled among opera producers for its economy, its accuracy, its alertness to musical shifts and currents. It is particularly to be admired in the play of the hardhanded men: no "funny" pronunciation of "moonshine," no farcical yokellism, a sense communicated of real and earnest endeavour. The lovers' entanglements place themselves on the stage with relaxed naturalness — they are an excellent and well-made team: Felicity Lott radiant as Helena, Cynthia Buchan, Ryland Davies and Dale Duesing. Tytania's and Bottom's romance loses something to the unclear enunciation of Ileana Cotrubas and to the clear but still slightly stiff inflections of Curt Appelgren; but have still to find their ease in the opera, though Miss Cotrubas' natural warmth goes some way to justify the unlikely casting.

The relatively muted effect made by Bottom means that for once the other members of the hardhanded team assert a fuller share of the limelight — a sturdy and very lyrical Flute by Patrick Power (I loved his busty Thisbe) and Roger Bryson's vigorous Quince most notably. It was good to hear James Bowman's Oberon in improved vocal form; his legato is no more readily sustained than it ever was, but his command of the part is continuously in evidence. Puck, a plucky 13-year-old Damien Nash with a raw London accent and an earthy way of facing the world, is the best I have seen; an audibly Dutch-accented Theseus is the only questionable contribution. This is one of the great Glyndebourne productions: we must hope that it will be with us for many seasons to come.

Ileana Cotrubas as Tytania

Leonard Burt

Colnaghi

Objects for a Wunderkammer

by ROY STRONG

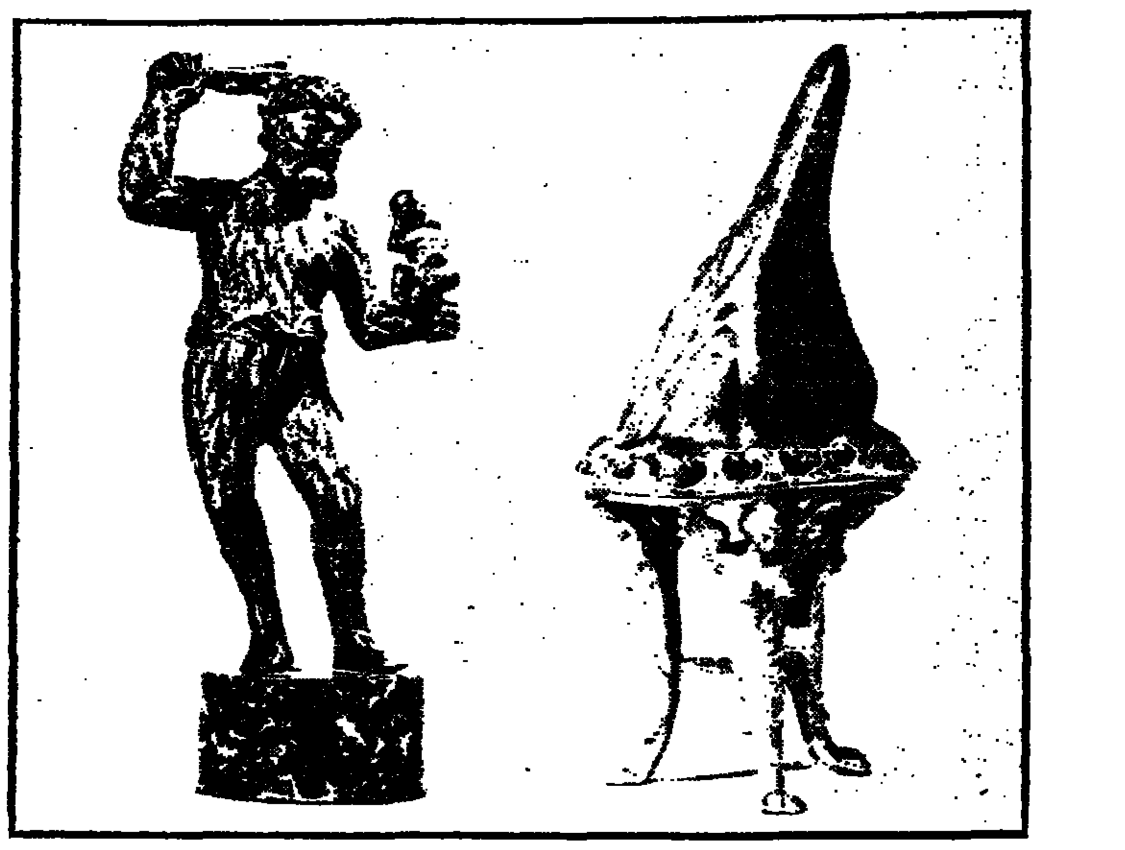
We are apt to forget that the modern museum and art gallery as we know it is a relatively recent phenomenon. The British Library Act effectively destroyed what was this country's last and greatest monument to the museum as embracing the whole encyclopaedia of the natural and physical world. To catch a flavour of that earlier universalism now we have to go to Oxford to see the recreation of Tradescant's Ark in the Ashmolean with its melange of objects ranging from Pocahontas' cloak to Guy Fawkes' lantern. The arrangement and categorisation of objects in a museum reflects the structure of knowledge within the mind. We take it for granted that such things should now fall neatly under media, style, age or place of origin but it wasn't always so as the exhibition at Colnaghi's *Objects for a "Wunderkammer"* reminds us.

This is a journey back to those centuries before the enlightenment and the universal acceptance of the post-Copernican heliocentric universe, back to the age which centred on man the macrocosm. Such assemblages were products of the paradox of the renaissance mind a combination of objects we would categorise as progressive such as instruments for measuring time, automata, feats of carving and embellishing natural materials, together with the reverse side of the coin, ones associated with the resurgence of magic and the passion for the abnormal and unnatural, such as unicorn's horns, two headed beasts, talismans and amulets.

Nor were these threads mutually exclusive. A unicorn's horn was not only an example of one of nature's rarities, it also had magical properties against poison and, mounted with precious metal, it became a work of art. And to anyone who saw it it brought into the mind layers of allusion to unicorn lore.

The exhibition is full of this kind of object, although truthfully it is less of a *wunderkammer* than a *kunstkammer*. There are no signs of the stranger kind of exhibits that the Jesuit Athanasius Kircher had in his museum that included "monstrous eggs, adders, and other natural productions" and "petrifications, Malta vipers' tongues, elephants' teeth, fossil ivory, etc." Instead, the aspect that is assembled here is that which embraces carved walnut shells, antique busts, crystal cups and goblets, jewels, cabinets and caskets. And they are displayed in a suite of three small rooms arranged in cases, cascaded across velvet glittering in the gloom. The effect, however, is less that of Rudolfine Prague re-evoked than Rothschild Waddesdon.

There are some marvellous and highly intriguing objects.



Cyriosites of the Wunderkammer—a bronze man and a rhino's horfn born by gilt bronze harpies.

One is the pax of the Medici, the embellishment of a small rectangle of *africano* marble which, if one's eye wishes to, sees within its veining the Madonna cradling the Christ Child. This in itself made the object miraculous, nature prefiguring the Incarnation. Overlaid in silver gilt the sibyl points out this celestial vision to the Emperor Augustus, the revelation of the salvation to come to the pagan world. All is welded into a work of art which finds its natural symbolic fulfilment in the ritual of the mass.

This is a product of Rome in the early 16th century but the proliferation of the *wunderkammer* more truly belongs to the Mannerist courts as monarchs gradually developed the palace and its surroundings into a tangible encyclopaedia. Such creations depended not only on the influx of exotic objects from the east and the New World but on the establishment of manufactories to experiment and produce new wonders in which technical discoveries were harnessed to the service of art. The Medici court founded a whole series of workshops for glass, ceramics, *pietra dura* and sculpture.

One of the most outstanding objects is a Florentine cabinet of *pietra dura* from the *Galleria dei Lavori in Pietre Dure* housed in the Uffizi. It is decorated with bouquets of flowers, birds perched on branches and bunches of cherries and other fruits. This was just the type of cabinet into which the smaller and most precious treasures could be kept. One catches a glimpse of a *kunstkammer* cabinet in a painting by Etienne de la Hyre of the collection of the future Vladislaus IV of Poland. In front of it there is a table piled high with trophies ranging from a gilt bronze of the Rape of the Sabines by Giovanni Bologna, Rubens' *The Drunken Silenus*, to a gold medal of the king. But the real cabinet tour de force is the huge Neapolitan one of about 1600 veneered in ivory with a forest of scenes from the life of Romulus. Inside it is like the facade of a renaissance palace but with every column, pediment and base opening to reveal a cupboard or a drawer in a succession of layers. Nothing could be more suitable as a repository for the vast sapphire ring not so far away whose stone, the guardian of chastity and sanctity, is flanked by two winged sphinxes of enamelled gold.

It is curiosities of this kind that both attract and repel. There is a rhinoceros' horn borne aloft by gilt bronze harpies. There is a bronze automaton of a nude man, who once perhaps struck a clock or walked in some mysterious grotto. There is the rivetting awfulness of the wax bas-relief view of Naples in celebration of the marriage of Carlos of Bourbon.

Technically prodigious, it is a morass of detail, all in white wax, restless and fussy, as sea gods and goddesses rise and sink amidst waves bearing every form of craft. Court kitsch, I suppose, would be one way of defining it. Nor does one warm to the clock constructed in the form of a reclining dog whose eyes move from side to side with the ticks and whose tail has a button to press causing the jaw to drop pinging out the hour.

The material has a grim fascination piled up together which is irresistible. The modern museum anaesthetises them, placing them in a clean cut showcases and adding, if we are all to follow the extraordinary example of the centenarian Natural History Museum, labels written with the comprehension of the average 15-year-old in mind. This *wunderkammer* exhibition reminds one of what a come down the museum ideal is if it is to be reduced to this level of triviality. For renaissance man these collections were not props for a Mickey Mouse course in the history of art, but tangible evidence of the magical universe and its arcane wonders. Such collections were not thrown open to all and sundry, rather they were to savour as an honour bestowed on the few. Objects of richness, prestige and information adding glory to the crown, yes, but also embodying Beauty and Knowledge, not such bad objectives for our present museum age.

Elizabeth Hall

Hindemith's Kammermusiken

A Hindemith revival has lurked round the corner for some time now, and the reality of that threat was brought a little closer on Sunday with the first concert of three which the London Sinfonietta is devoting to his complete set of *Kammermusik* pieces. It was an occasion for opening minds, for giving the fairest of fair hearings to a composer whose stock has fallen lower than almost all his contemporaries. Surely the *enfant terible* of the 1920s must have produced something of permanent value? The *Kammermusiken*, occasions for some of Hindemith's boldest experiments in form and sonority, are an ideal testing ground.

This first programme included the fifth and seventh *Kammermusik*, concertos for violin and organ respectively, each with a differently constituted chamber orchestra. The most striking feature of the violin work is its orchestration—for an ensemble lacking oboes, horns and violins, but including bass clarinet and contrabassoon, cornet, tuba, and four drums—and the opening movement (a brief flourish without the soloist) is the most original and the most striking. In its free dissonances and hard-edged textures it's possible to envisage a composer who was once regarded as the most rabid modernist: but that passed, the more familiar Hindemith takes over: a solo part replete with baroque figurations, the contours of the melodies fitted to apparently approximate pitches, the rhythmic pulse four-square and predictable.

The violin *Kammermusik* recovers some of its self-respect in a brief wispy, skittering finale but the organ concerto has no such redeeming features, neo-baroque in every particular, stately and ceremonial in its outer movements (it was written in 1927 for the installation of the organ at Frankfurt Radio), unwinding a plodding arioso for a slow movement. Interesting that all these seven *Kammermusiken* were written before Hindemith set out and adopted his system of tonality; the harmonic working here is free and straightforward, but no more and no less interesting for that.

The series was to have been conducted by the young Italian Riccardo Chailly, but his sudden indisposition last week brought Sunday's concert shared between two conductors. Richard Pittman conducted the two Hindemith works, extracting sprightly, rhythmically acute performances; the soloists, equally expert and precise, were György Pauk and Gillian Weir.

Oliver Knussen took over the rest of the programme. Each of the three concerts will contain a world première; the first was *Newton Variations* by Luciano Chailly, father of the intended conductor. It proved to be a neat, cogent piece, based on concepts in Isaac Newton's *Opticks*: for all its intricacies, however, it lacked a decisive impact. To close the evening Mr Knussen produced the most interesting item of all: Kurt Weill's *Kleine Dreigroschenmusik*, done absolutely straight, with measured tempi and no attempt to jazz things up, and producing a biting, disturbing effect. The series continues on June 29 and July 7.

ANDREW CLEMENTS

Theatre writing bursaries

The Arts Council has approved theatre writing bursaries of £4,000 to Nicholas Wright and £1,000 to John Antrobus, Shirley Barrie, Patrick Carter, Mike Dorrell, James Forsythe, Dusty Hughes, David Mairovitz, Colin Sell, Chris Speyer, Timberlake Wertenbaker, Ken Whitmore and Sheila Yeger.

Zurich June Festival

by ANDREW CLARK

The arts in Zurich are at a low ebb. The annual June festival, once the focal point of the year, now seems desperately short of atmosphere, originality and co-ordination.

Having won its fight for a £20m grant for renovations from the city authorities last year, the opera house is losing out at the box office, the result of repetitive repertoire and high prices. Concert life fares little better. The Tonhalle Orchestra is in a sorry state, without a principal conductor since Gerd Albrecht's departure last year and with rapidly falling standards. Problems have been compounded at this year's festival by the sudden cancellation of four main attractions—Argerich, Arrau, Berganza and Böhm—reducing the already depleted number of guest artists.

There have, of course, been some fine individual performances. A strong international cast including Margaret Price and Boris Christoff was fielded for a gala revival of Zurich's old Don Carlo production and the festival opened with a vintage account of two Mozart piano concertos from Sir Clifford Curzon accompanied by the lively Zurich Chamber Orchestra.

But with nothing of outstanding merit in the city's theatres, it is becoming more and more apparent that Zurich needs someone to act as a guiding and binding force on the festival—if it is not to disintegrate altogether.

If you were looking for a theme for this year's events—and you would have to look pretty hard—it would be the music of Alban Berg, which has found its way into a couple of concert programmes and provided some of the more stimulating moments in two opera productions.

Zurich's *Lulu*, which Götz Friedrich staged last year before his Covent Garden production, has been revived. Understandably it reveals common ideas as well as a similar cast, the main exception being Lulu herself, powerfully and sympathetically sung here by Ursula Reinhardt-Kiss. *Wozzeck* is a natural sequel, though Friedrich's new production, first seen on June 14, is by no means as compelling.

He paints it more in historical and realistic terms than allegorical, cushioning the stark brutality of Wozzeck's world. Most of the characters are too normal to evoke a sense of horror, and our identification with Wozzeck's plight is compromised by a weakly-defined relationship with Marie, by his robust appearance and threatening posture, and by the sympathy he receives from his comrade Andres after his brawl.

The experiment scene further underlines the tameness of the production. There is little sign of anything medical or experimental, and Günter Reich's portrayal of the Doctor misses the callousness that makes a man treat humans like animals.

These were not the only disappointments. What were first-time viewers to make of a drowning where there was no sign of a pond? What was the significance of Wozzeck's role-reversal with the doctor at the end of his examination? And why, throughout the final scene give the children's taunts to adults and leave the last word to the Fool?

The merits of the production could only partially compensate for its defects. The performance developed with a strong sense of momentum, aided by economical sets, and the absence of an interval. There were many intelligent observations of detail, such as the little drum kit given to Wozzeck's child, the split scene where Marie reads the Bible while Wozzeck's bloody face stares out into the audience, and the Captain's reluctance to submit himself as a patient after the doctor deserts a wounded soldier.

The dramatic intensity and eerie transparence of Berg's score was vividly brought to life by the theatre orchestra under Ferdinand Leitner, and as the Captain, Horst Hiestermann evoked the most compelling stage picture—all pig-eyes, bald head, perfectly-pitched voice and clockwork gait.

The other performances were not so convincing. Karan Armstrong's Marie was vocally unsure and a shade too sophisticated. She made a better case for the more lyrical sound of Berg's vocal score, a characteristic she had in common with Christian Boesch's unaffected portrayal of Wozzeck. But—unfortunately—a *Wozzeck* in which *sprechstimme* and crazed paranoia are submerged tells only half the story.

Weill and Gershwin featured in South Bank Summer Music

South Bank Summer Music, presented for the first time under its new artistic director Simon Rattle, will open in the Queen Elizabeth Hall on August 9 with Kurt Weill's *The Seven Deadly Sins* and the suite from *The Threepenny Opera*. Soloist will be soprano Elise Ross.

Other singers appearing during the season include Elisabeth Söderstrom, marking the centenary of the death of Mussorgsky in a song recital on August 12; Jill Gomez in Canteloube's *Songs of the Auvergne* on August 17 and Thomas Allen and Alfreda Hodgson in Mahler's *Des Knaben Wunderhorn* on August 13.

Jazz pianist Oscar Peterson returns to the Elizabeth Hall for two concerts on Saturday, August 15.

A complete concert performance of George Gershwin's *Porgy and Bess* will be given in the Royal Festival Hall on Sunday August 16. Simon Rattle will conduct the City of Birmingham Symphony Orchestra. Soloists will include Willard White as Porgy, Laverne Williams as Bess and John Fryatt as Sportin' Life.

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Reforming the trade unions

THE TWO recurring themes in the long debate about British trade unions have been, first, the disorderly nature of industrial relations in the UK, and, second, the unique freedom of trade unions from the social or legal controls which restrain other monopolistic organisations.

Employers have looked enviously at other countries where strong, centralised unions impose tight discipline over their members and this discipline is reinforced by the law. The trouble is that, except in a few sectors, the UK no longer has unions of this kind. In most industries bargaining power has shifted irrevocably to the shop floor, with national union officials often having little influence on the outcome of negotiations. Even if it were possible to re-create authoritarian unions at the centre, the economic gains would be dubious. Decentralisation of collective bargaining has the advantage that settlements are more likely to reflect the circumstances of the employer. There are serious practical problems in making trade unions legally responsible for what goes on at the level of individual companies and plants.

Immunities

The Confederation of British Industry recognises these problems in its response to the Government's Green Paper on trade union immunities, but still recommends, as a long-term objective, that a trade union should be made liable for unlawful acts of its officials and members undertaken on its behalf and that procedural agreements between employers and trade unions should in certain circumstances be legally enforceable. These proposals would involve major changes in the legal position of trade unions and in the framework within which collective bargaining has been traditionally conducted. They reflect a widespread feeling that behaviour by trade unions or trade union members is too often irresponsible; it inflicts damage on other people at little cost to themselves. But whether new laws are the right way to elicit more responsible behaviour is very much open to question.

Some employers may hope that changes in the law designed to reduce trade union immunities will make the task of management easier, but past experience does not support the use of penal sanctions as a means of enforcing industrial peace. Bad labour relations, leading to unofficial strikes and other forms of disruption, do not stem from shortcomings in the law; indeed they are often the fault of management as much as of trade unions. Illogical wage structures, poorly designed grievance procedures, lack of consistency in management behaviour — these are weaknesses for employers to put right.

Employees take unofficial action because they think it pays them to do so. The question is whether the employer can, by his own actions, disabuse them of this idea and gradually establish a more orderly relationship. Ideally the employer should be able to secure by negotiation a system of incentives and penalties which encourages employees and their union representatives to stick to agreed procedures. But, as Ford's recent experience shows, this is easier said than done. A gradual move towards legally binding contracts has its attractions, but it would have to be accompanied by a much greater formalisation of collective agreements—a process which many employers as well as unions might be reluctant to undertake.

There are other proposals for discouraging strikes, including the suggestion (not contained in the CBI document) that an employer should have the right to lay off all his labour force without pay when his business is disrupted by a group of his employees. The proposed remedy would certainly strengthen the employers' ability to resist selective strikes, but the issue seems more appropriate for negotiation between the parties than for legislation.

The CBI is right to argue that fundamental changes in the legal framework can only be brought about gradually: there is no point in passing laws which turn out to be unenforceable and are in any case repealed after a change of Government. It is right, too, to be sceptical about legal remedies in the case of "national emergency" strikes in industries providing an essential service. It is in these sectors where the monopoly power of trade unions is most objectionable, since it reinforces the monopoly power of the industry itself. Wherever possible the union's bargaining power should be reduced by making the industry more competitive. In other cases it may be necessary to rely on the self-restraint of the employees and the force of public opinion.

Closed shop

In industry as a whole there is little support among employers for an immediate, root and branch attack on trade union immunities. There is support for action to curb specific abuses, notably those relating to the closed shop. The CBI rightly urges that further safeguards should be introduced to protect individuals affected by the closed shop, that union-labour-only clauses in commercial contracts should be declared void, and that immunity should be withdrawn from all industrial action intended to force the employees of another employer into trade union membership. Wider changes in trade union law have to be judged against the test of practicality and of their effectiveness in promoting good industrial relations.

The socialist landslide

THE prospect of a Mitterrand victory in the French presidential elections legitimately gave rise to several anxieties, both inside and outside the country. The first was that he might fail to secure a politically consonant majority in the National Assembly and thus be exposed to the constitutional conflicts built into the Fifth Republic; the second was that he might secure a left-wing majority in parliament, but only at the price of having to make major policy concessions to the Communists; the third anxiety was that his social policies would open the door to inflation.

Anxieties

The first two of these anxieties have now been swept away. Not merely has Francois Mitterrand secured a parliamentary majority, it is one which does not depend on the Communists; and if they are offered any places in the government, due to be announced today, it will evidently only be in exchange for quite stringent Communist pledges of adherence to socialist policies.

Only time will pass judgment on the third anxiety, about inflation. The pre-election giveaways on the minimum wage and social security benefits and the pledges to increase public sector employment are not exactly reassuring. On the other hand, the new team is clearly very sensitive to charges of financial laxity.

While it is impossible to deny the completeness of the Socialist landslide, it is more difficult to explain it. No doubt it is in part a mirror image of the Reagan landslide in the U.S.: a protest against the outgoing government's failure to solve problems over which it had little control, and in the case of France a protest magnified by resentment at the hubris of the Giscardian regime. A couple of years ago the outgoing prime minister told a group of Giscardian MPs that he didn't give a fig for unemployment, and while his words remained an embarrassing secret, his disregard for the social consequences of the government's anti-inflationary policy was only too apparent.

Startling

At the other end of the political spectrum, the rout of the Communists appears as startling as that of the Gaullists and Giscardians on the right. The steady increase in the strength of the Socialists in recent years must have done much to allay bourgeois fears of Communist domination, and the result of the presidential election will have carried that process a stage further. But it must be tempting to wonder whether, in the wake of Afghanistan and the events in Poland, the Communists have not also alienated many of their traditional supporters by clinging to a hard pro-Moscow line in foreign policy.

Attitude

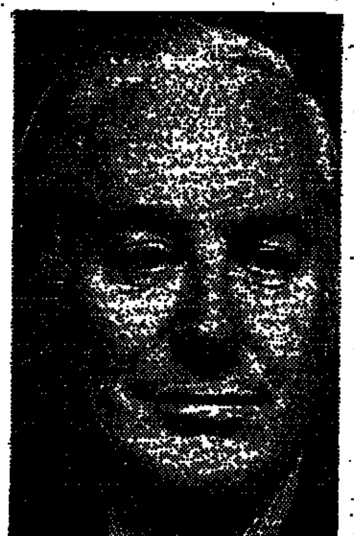
As with the Reagan landslide, it will take the French Socialists some time to work out the full implications of their victory, or to present a fully-articulated policy to the country and to the world. But the early indications are that the new team will be more open-minded and more constructive in its approach to the problems of the European Community, and more forthright in its attitude to the Soviet Union. On both counts, it should be welcomed both in western Europe and in the United States. In any case, it is reassuring to discover that there is no necessary truth in the Gaullists' old adage, that the only choice lay between them and chaos.

ROYAL BANK TAKEOVER BATTLE

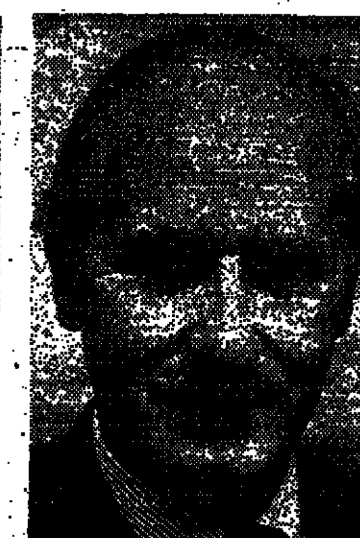
Why Hongkong can't bank on it

By William Hall, Banking Correspondent

SIR MICHAEL HERRIES, the 58-year-old chairman of the Royal Bank of Scotland, has come in for strong criticism for agreeing to the initial low bid from Standard Chartered and allowing Lloyds Bank to win majority control of its affiliate, Lloyds and Scottish. Under the proposed merger three quarters of the Royal Bank's board would join the Standard Chartered board and Sir Michael was to become a senior deputy chairman, which has given rise to complaints that the Royal Bank board was more interested in preserving their jobs than shareholders interests.



MICHAEL SANDBERG, the chairman of Hongkong and Shanghai, is very much a career banker unlike the other two chairman. A 54-year-old ex-Indian Army cavalry officer, he has worked his way up the bank taking over the chairmanship in 1977. Under his command the bank has become much more aggressive, the aim being to transform it from a purely Far Eastern bank into a truly international bank.
After a long fight (and some unconventional tactics) he won control of Marine Midland, and acquisition of the Royal Bank of Scotland is now seen as the key to the bank's European strategy.



LORD BARBER, the 61-year-old chairman of Standard Chartered, has played the game strictly according to Bank of England rules and is above reproach, although his shareholders could become restive if he is forced to increase the price for the Royal Bank once again. As he proved at the time of the abortive bid for Bank of California, Lord Barber only likes to proceed in a bid if the other side agrees, which perhaps explain the number of jobs being offered to Royal Bank directors.

JOHN CLAY, deputy chairman of of Hambros Bank and a director of the Bank of England, has been thrust into an embarrassing position as a result of the bid for Royal Bank of Scotland. Although not directly involved, his bank acts as advisers to Hongkong and Shanghai, which has flouted the Bank of England's 1972 memorandum on bank takeovers. As an accepting house, Hambros was party to that memorandum. The Bank of England put discreet pressure on Clay to dissuade Hongkong and Shanghai from pressing ahead with the bid, but to no avail.

BERNARD ASHER is the Hongkong and Shanghai's secret weapon. In an unprecedented move for the bank, Asher was hired from ITT last November, to establish a planning department. He joins the handful of general managers at the top of the bank and is playing a key role in formulating the strategy for the Royal Bank of Scotland acquisition. Aside from his experience in international corporate planning he also knows Whitehall having been seconded first as industrial director, and then acting director general of the UK's National Economic Development Office.

MR Michael Sandberg, the 54-year-old ex-Cavalry officer in charge of the Hongkong and Shanghai Bank, first heard the news of Standard Chartered's bid for the Royal Bank of Scotland while he was in New York.

His immediate reaction was that the price was too law and he caught the next plane to London where he went to tell the Bank of England that his bank wanted to throw its cap into the ring.

His move has posed the first real challenge to the Bank of England's moral authority over City affairs for over a decade. By referring the two bids to the Monopolies Commission, the Government has won a breathing space, but there is a good chance that it will have to discuss the affair in Cabinet since none of the Ministries involved seems able to agree on a common line.

The arguments revolve around a number of issues. But the central one is whether the fifth largest clearing bank in the UK should pass into the hands of a bank which is not directly supervised in London. The Bank of England admits that Hongkong and Shanghai is a British bank. But it draws a distinction between British banks regulated in the UK and those, of which Hongkong and Shanghai is by far the most important, regulated elsewhere. Waiting in the wings are a number of wholly foreign banks who would like to make a bid for a major UK clearing bank and are watching the proceedings very closely.

Three Government bodies are now concerned with the question and their views differ considerably:

- The Bank of England is worried because the Hongkong bid was made without its approval. The Bank's gentlemanly system of "nods and winks" was ignored, which in itself must say something about the relative decline of the Bank's authority in the City.
- The Foreign and Commonwealth Office is concerned lest the findings of the Monopolies Commission raise questions about Britain's long term relationship with Hong Kong. It appears to be more in favour of the Hongkong bid than the Bank of England.
- The Scottish Office is sensitive to the accusation that both bids will lead to a reduction in the importance of the Scottish financial community. There is a strong Scottish lobby which is against both bids and committed to the continued independence of the Royal Bank—the largest of Scotland's three banks.

A number of predators have been stalking the Royal Bank for some time (see panel). With 600 branches, it is the largest bank in Scotland and its English subsidiary, Williams and Glyn's is the fifth largest London clearing bank, with 315 offices mostly located in the north west of England and London. Its main weakness is its lack of a large overseas branch network. This and the growing number of banks showing interest in acquiring it, led the board to seek an agreed merger with a "UK bank with a strong presence overseas."

Standard Chartered was the obvious choice. It had a relatively small and unsuccessful UK business and a very large and profitable overseas business. The marriage of the two banks looked a natural defensive partnership which would strengthen the UK banking system.

The Bank of England, which gave its blessing to the original merger between Standard Chartered and the Royal Bank, appears to have misjudged the affair on two counts. First, the price and second, the fact that any bank would dare challenge its views.

The Bank of England argues that price was not its province. It says it was concerned purely with the principles of the merger and on those grounds the Standard/Royal deal made a lot of sense. However, it appears to have underestimated the uniqueness of the position of the Royal Bank. This and the fact that the original proposal carried such a low price, led to the Hongkong and Shanghai bid. Mr Sandberg acknowledges that if Standard Chartered had made its second much larger bid first, his bank would not have entered the fray.

The Bank of England's position relies heavily on tradition backed by a memorandum published in November 1973. The latter says "it is understood that banks will consult the Bank on all proposals for participations exceeding 15 per cent as early as possible and before any formal negotiation is undertaken; and that they will accept the Bank's ruling in each case and take no irrevocable steps in the meantime."

The normal course of events is that a prospective bidder consults the Bank before taking any precipitate action and abides by the Bank's informal ruling. This probably explains why Lloyds Bank never proceeded with a formal bid for Royal Bank and the various foreign suitors never revealed themselves. The Bank's word is final. Or it was, until the Hongkong and Shanghai Bank came along.

Its challenge to the Bank was not mounted lightly. Mr. Sandberg and Hambros, the bank's advisers, met the Governor and Deputy Governor several times in the three weeks before Hongkong put in its bid. But the Bank continued to oppose its proposal and tried to persuade Hambros to dissuade its client from proceeding.

The Hongkong and Shanghai executives became increasingly frustrated by what they saw as the Bank's obstinacy. In the past they had obediently followed the Governor's "nods and winks" regarding their three UK registered banks, Anthony Gibbs, British Bank of the Middle East and the Mercantile Bank. However, this time they felt the Bank was making no real attempt to understand their bank's position.

Finally, Hongkong and Shanghai decided to face the Governor's "displeasure" and bid for the Royal Bank.

The bid has thus become a very important test of the Bank of England's authority in the City. The Hongkong and Shanghai Bank is at pains to stress that it is not a foreign bank but a truly British bank, with four-fifths of its shares held by British citizens (mostly in Hong Kong).

The Bank of England argues that whereas the Standard Chartered deal was straight forward, the Hongkong and Shanghai bid raises a number of questions of banking policy which need to be answered before the bid is allowed to proceed.

For example the Bank fears that contested bids of this kind could conflict with a bank's overriding responsibility to safeguard its depositors' interests. If banks become involved in a "Dutch auction" for other banks they could overstretch themselves which could weaken them over the longer term.

The Bank is more worried about questions of control and supervision.

The Bank's difficulties in coming to terms with the Hongkong bid are made no easier by the fact that the bank has important allies in Whitehall who do not share all the Bank's reservations. The Foreign Office, in particular, is anxious to ensure that nothing is said that might jeopardise the UK's political and trading links with the colony and China.

The question of the expiry of the lease on The New Territories in 1997 is a sensitive issue and the Foreign Office would be unhappy to see any action taken which might discriminate against the colony and distance it from the U.K.

The Scottish Office and the Edinburgh financial community have also voiced their concern. Their interests run counter to those of the Bank of England in many respects, and add another variable to the official equation.

Lord Clydesmuir, the retiring Governor of the Bank of Scotland, summed up many Scots feeling recently, when he stated that the proposed takeover has "implications for the future of the whole Scottish financial community, perhaps even for Scottish industrial and commercial life as a whole."

The Monopolies Commission now has the job of sifting through the conflicting opinions of the various interested parties. Its verdict will be awaited with unusual interest both inside and outside the UK, since the implications of its findings will have important ramifications for both the way Britain's financial community is policed and the future structure of British banking.

At the end of the day the issue is clearcut, the Government has to decide on whether it wants control of a British clearing bank to pass overseas, albeit to a bank with traditional strong British ties.

THE STALKING OF THE ROYAL BANK

1979-80	Lloyds Bank, the biggest shareholder in Royal Bank of Scotland (RBS) with 16.3 per cent, shows informal interest in acquiring the group. Several foreign banks also show interest.
Late 1980:	Royal Bank decides to seek a "merger with a UK bank with a strong overseas presence."
March 17:	Standard Chartered, after consulting Bank of England, makes an agreed £320m bid for RBS. As part of the deal, RBS conditionally agrees to sell its 39.3 per cent stake in Lloyds & Scottish to Lloyds Bank who, in turn, agrees to support the bid. The latter immediately buys stock in the market and gains effective control of Lloyds & Scottish.
March 20:	Hongkong & Shanghai Bank informs Bank of England of its interest in acquiring RBS. First of several meetings over the next three weeks between the Bank, Hongkong & Shanghai and its advisers, Hambros. The Bank refuses to give its blessing to the proposed bid.
April 7:	Hongkong & Shanghai makes a £500m bid for RBS, which shows no support for the new offer.
April 23:	Standard Chartered makes new agreed offer, roughly matching the rival bid.
May 1:	Both mergers referred to the Monopolies Commission.

MEN AND MATTERS

Money for old Rose

The visit by Prince Charles to New York last week appears to have had at least one cheering consequence. Apart from a well-reported meeting with Mayor Ed Koch, the Prince also encountered the ubiquitous chairman of Occidental Petroleum, Armand Hammer.

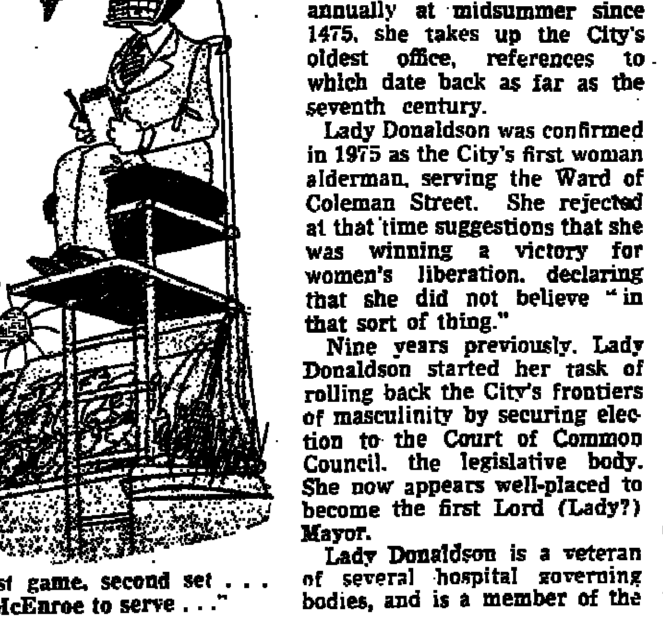
As a consequence of their chat, Hammer, seemingly in competition with the late Nubar Gulbenkian to be remembered as the century's most impish philanthropist, has agreed to donate $100,000 to the Prince's pet project, the raising of the Mary Rose, a Tudor battleship which sank in the Solent in 1545.

But Hammer gave the project's chief U.S. fundraiser, headhunter Russell S. Reynolds Jnr, a knotty qualifier. Before the Hammer cheque is cashed, nine similar donations must be secured.

The Prince, who made his fourth underwater visit to the wreck yesterday, was reportedly delighted to hear of the Hammer offer, strings and all. Like sentiments were echoed on terra firma at the Mary Rose Trust's Portsmouth offices. But can Hammer's horror terms be met in these recession-squeezed times?

"A dramatic challenge" replies Ian Dahl, former Marks and Spencer administrative executive now leading the treasure hunt for £3m to salvage and restore the vessel. He has already reached the halfway mark with the help of donations from companies including British Petroleum, Barclays Bank and the Hong Kong and Shanghai Banking Corporation.

Dahl also points up the importance to the local Portsmouth economy of the Maritime Museum in which it is hoped to place the Mary Rose. As the Royal Navy is cut back, Portsmouth still hopes that at least some of its prosperity will continue to come from ships, dead or alive.



"First game, second set . . . McEnroe to serve . . ."

Returned again

Lady Mary Donaldson tomorrow becomes the first woman ever to be elected a Sheriff of the City of London. At a ceremony known as "Common Hall" held annually at midsummer since 1475, she takes up the City's oldest office, references to which date back as far as the seventh century.

Lady Donaldson was confirmed in 1975 as the City's first woman alderman, serving the Ward of Coleman Street. She rejected at that time suggestions that she was winning a victory for women's liberation, declaring that she did not believe "in that sort of thing."

Nine years previously, Lady Donaldson started her task of rolling back the City's frontiers of masculinity by securing election to the Court of Common Council, the legislative body. She now appears well-placed to become the first Lord (Lady?) Mayor.

Lady Donaldson is a veteran of several hospital governing bodies, and is a member of the Cities of London and Westminster Disablement Advisory Committee. Her husband, Sir John Donaldson, is a Lord Justice of Appeal and presided over the National Industrial Relations Court during the years of the Heath Government.

Elected alongside her tomorrow will be Anthony Eskenzi, Common Councilman for the Ward of Farringdon Within. The two will take on a variety of duties including the presentation to Parliament of petitions from the City, and overseeing procedure at the Central Criminal Court, whose sessions the Sheriffs attend.

Nick of time

The rest may now be silence for the Old Vic Theatre Company. But, while the liquidator ponders the debits and credits, the former home of the National Theatre Company is about to be occupied by its traditional rivals from over the water, the Royal Shakespeare Company.

Prime Time Television, a new production company backed by Mobil Oil and the German company RM Productions, is using the theatre to film a television version of the RSC's celebrated dramatisation of Nicholas Nickleby.

Colin Callender, managing director of PTTV, says the company has imported the production intact from the Aldwych, and will be spending eight weeks and up to £2m on a full eight-and-a-half-hour version of the show—the largest production, he says, so far sanctioned by the emergent Channel Four.

And what of the theatre itself? Andrew Leigh, former administrator of the Old Vic Theatre Company, and now retained by the trustees of the building, points out the difficulties of the position — "It has been proved that there is a market for classical theatre at the Old Vic, and it has also been proved that it cannot be done without a subsidy."

To add to his problems, both the Theatres Trust Act and preservation orders prevent a change of use or redevelopment of the site. Leigh is therefore struggling to pay the rates and overheads while searching for thespian occupants.

And if it cannot be made to pay? "Frankly I do not know," says Leigh, "but I think it goes back to the Charity Commissioners."

Growing pains

There is new hope for those whose gardens are choked with dandelions. The best way to get rid of them, it seems, is to kill them with love.

Such is the lesson learnt by a plucky American entrepreneur at the height of the dandelion season this spring, prompting the New York Times to disseminate what must be the most important gardening tip of the season.

Adrian Wells, who lives in the rural north-eastern state of Maine, decided to try supplying what is apparently a lively market in dandelions, catering not only to rabbit owners but also to epicures who consider the long leaves a spring delicacy.

Reckoning that dandelions thrive almost anywhere, Wells foresaw little difficulty raising a three-acre crop with the help of a little fertilizer. He was wrong.

The dandelions proved unaccustomed to such luxury, and quickly developed a variety of decadent complications. Ravaged by blight and mildew, they lost their weedy will to live. The young shoots were choked by other weeds, which posed Wells the dilemma of whether to intervene with weed-killer and risk killing the very crop which he was trying to raise.

In the end, Wells conceded defeat. But what really upset him was the sight of feral dandelions pushing up magnificent 18-inch leaves on his lawn, his vegetable patch, and among his flowers.

Observer

FINANCIAL TIMES SURVEY

Tuesday June 23 1981

WEST GERMANY BANKING, FINANCE AND INVESTMENT

Signs that the worst of the economic recession may be over will lend encouragement to West Germany's financial leaders in their efforts to adjust to a changing world. This survey reviews the potential ahead.

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Opportunities to grasp

BY STEWART FLEMING in Frankfurt

WEST GERMAN banks have had to learn a painful lesson over the past year about the implications of the increasing interdependence of the world's financial markets and the growing importance of equity capital and profits. Dr Johannes Völling, chief executive of Westdeutsche Landesbank is not the only German banker who has been forced to admit ruefully that "we have learnt our bitter lesson. Growth is no longer the top priority, profitability is our goal."

As the West German currency has plunged by 25 per cent against the dollar in the past 18 months and the Bundesbank (the central bank) has helped to push interest rates to record post-war highs to help defend the currency, both bankers and investors have been licking sometimes self-inflicted wounds.

Today faint signs that the worst may be over are appearing. The cyclical recession seems to be bottoming out, the decline in the value of the D-Mark appears to be paying off through the stimulation of exports. The fall in oil consumption and prices is also helping the trade account. The financial and industrial base of the country has demonstrated its resilence. There are still fears in the Bundesbank that the inflationary impulse which has been imported from abroad through the fall of the D-Mark has yet to be extinguished. For this reason alone the long-awaited easing of West German monetary policy may emerge more slowly than the optimists are hoping. There have, moreover, already been two false dawns on Wall Street in the past year, so the latest decline in U.S. rates, which cast a reassuring glow over the Frankfurt markets, will be greeted with caution.

Farsighted

The earlier and fleeting reductions in U.S. interest rates last year, coupled with what have proved to be the ill-judged expansion policies of the past, have cost German bankers and investors dear. In what has been by common consent the worst year for the German banking industry since World War II a major commercial bank, Commerzbank, for the first time in this period has had to tell its shareholders it cannot pay a dividend. Similar sad tidings have had to be conveyed to the owners of a group of Landesbanks, including the Westdeutsche Landesbank, the third largest banking institution in the country. Only a small and select group of banks, interestingly enough led by the largest bank in the country, Deutsche Bank, appear to have been nimble and farsighted enough to duck before the barrage began.

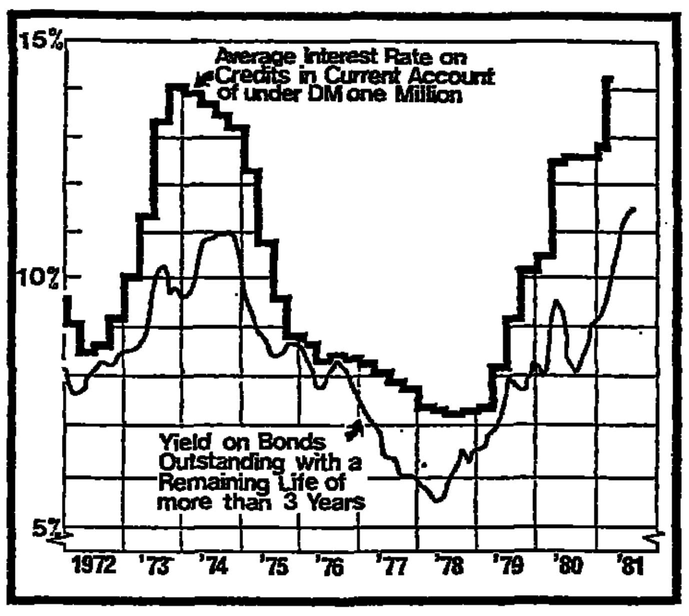
In one of its last monthly reports published before Dr. Otmar Emminger handed over the Presidency of the central bank to Herr Karl Otto Pöhl at the beginning of 1980, the Bundesbank warned, in a discussion of the emerging reserve currency role of the D-mark, that "the reserve role of a currency is incompatible in the long run with deficits on current account . . . sustained large-scale current account deficits would very soon lead to a loss of confidence."

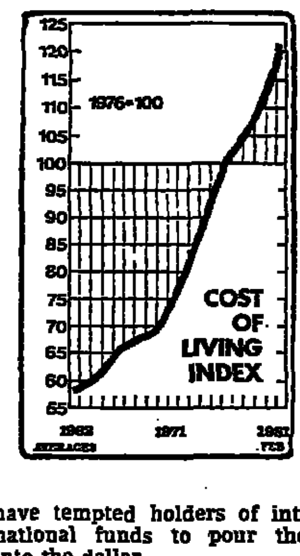
By that stage, with the D-mark already holding an 11 per cent share of world reserves, the arguments presented against allowing such a build-up to continue were already being overtaken by events. Over the past year the final barriers to foreign ownership of D-marks erected initially to check the constant appreciation of the currency in the 1970s, have been dismantled in the face of the problem of financing the biggest current account deficit in the industrialised world. West Germany plunged DM 28bn into the red in the year after this—now proved prophetic—warning was written.

It was not just the bankers, however, who failed to pay sufficient attention to the potential problems which the central bank had pointed out. In Bonn too the Government was slow to recognise last year that the economy was making inadequate adjustment to the second oil price "shock." Accustomed to a generation of economic success shielded from world-wide inflation by a rising currency, with the experience of an "automatic" adjustment to the first 1973-74 oil shock behind them and with an election looming ahead (in October, 1980) the Bonn authorities also failed to grasp the scale of the problem and displayed instead a degree of over-confidence.

It would be unfair to put all the blame on the policymakers however, for as is often the case when things start going wrong at home, bad luck began to play a hand in making the situation worse. As the currency came under pressure last autumn (forcing the central bank, reluctantly to abandon the easing in monetary policy it signalled with September's cut in the Lombard rate from 9½ per cent to 9 per cent) the pressures caused by the current account deficit were aggravated by the mounting political crisis in Poland. This intensified an outflow of funds from the Federal Republic which was already becoming as big a problem as the current account deficit.

The Polish crisis has continued to leave some holders of D-Marks with wobbly knees. Similarly, political developments in the U.S. and the election of a new President who was being greeted as a more effective leader than his predecessor even before he took office, coupled with the unpredictable swings of U.S. interest rates, have tempted holders of international funds to pour them into the dollar.





Too many Germans are still falling foul of the temptation to overlook the underlying strengths which have played a part in buoying up the dollar, including a current account moving into balance, a huge base of natural resources and a powerful export-earning, agriculture sector. The structural weakness of the German economy, an inadequate energy policy and a Government only belatedly giving sufficient priority to the admittedly daunting task of curbing public spending have tended to be overlooked. Instead too much emphasis has been placed on West Germany's "stability advantage."

For the foreign holder of D-Marks "stability" means more than the Federal Republic's impressive success in holding down the inflation rate. The *investment* value of the currency in the short run is measured by its international value and its rate of return. The fact remains, however, that West Germany has so far continued to keep inflation under control in difficult circumstances; its wage earners have accepted a modest 5 per cent pay rise for 1981. This is of course of fundamental longer term significance and another reason why Germany's markets have been performing more strongly in recent weeks.

The unaccustomed array of forces ranged against them has undoubtedly left German bankers and investors groggy. The policies many of the banks pursued in the past, of expanding their balance sheets as fast as possible in the face of narrowing margins in order to keep profits growing, have been proved misplaced. The bankers, it has to be said, had their warning of the potential dangers inherent in high interest rates in 1974-75. Most of them chose to ignore it.

When rates fell in 1976 and corporate loan demand was weak too many of the banks pumped long-term fixed interest loans out to their public sector and private customers, loans which made their customers rich and their shareholders, this year, angry. Early last year, when the writing was already appearing on the wall after the losses of 1979, too many bankers, instead of shifting tack and putting asset growth before profits, bet wrongly on interest rates playing double or quits, and got burned twice.

It is already clear that the banks which made those mistakes are now adopting policies which put capital and profits first. This is a response in part to expectations that a forthcoming reform of German Banking Law will in pratice require German banks to increase the capital backing behind their loans in part to the experiences of the past year and the implications of coming competitive pressures in the marketplace.

A number of banks have already moved with determination to equip themselves for an era of increasing risks when in the space of a few weeks a change of government or a shift in monetary policy can reverberate around the world, transmitted through volatile and uncontrollable foreign exchange markets and the Euro-credit markets.

Several of the major banks have once again approached the generous and patient band of shareholders who have been regularly pumping new equity capital into the institutions they own. Dresdner Bank and Commerzbank, in addition to restricting their dividends, have disposed of a few big shareholdings in industrial and commercial companies. Most banks appear to have launched an attack on internal costs.

There is evidence too that they are fighting to expand their lendig margins. Borrowing charges to customers range between 15 and 18 per cent for many forms of shorter term and consumer credit, and the banks have already shown that they will only follow market rates down slowly when rates peak.

Moreover, in view of the severity of the domestic profits squeeze they have faced at a

CONTINUED ON PAGE IV

World as well as domestic pressures are forcing West Germany's financial community into a reappraisal of strategies. Articles on this and the following two pages of the survey review developments in the banking sector—headed by the Bundesbank, or central bank—and reactions of the leaders of the main divisions.

Strong policy at the top

BUNDESBANK AND ECONOMY
STEWART FLEMING

AS A hundred of the world's top commercial bankers streamed into the conference room of Lausanne's lavish Beau Rivage Hotel earlier this month to hear a speech from Britain's Mr Roy Jenkins the President of the Bundesbank, Herr Karl Otto Pöhl was seen heading in the opposite direction.

Accompanied only by His Excellency Abdul Aziz Al Quarashi, Governor of the Saudi Arabian Monetary Agency, Herr Pöhl slipped discreetly away for a serious talk with the head of the central bank of perhaps West Germany's most important international investor.

The scene summed up the growing importance of West Germany's financial and political relationship with Saudi Arabia following last year's decision to turn to the international markets to help finance Bonn's DM 28bn (£5.9bn) budget deficit and the Federal Republic's similarly enormous current account deficit. During the year public authorities imported a total of DM 23bn (£4.9bn) of long term funds "mainly from Opec countries"—which means mainly from Saudi Arabia.

But it also illustrated the central role which the independent Bundesbank has played in tackling both the domestic and international problems which have beset the country in the past two years and which only now are showing the first, tentative signs of easing.

Few would challenge the contention that in the past twelve months Bundesbank monetary policy has been the most important single domestic element influencing the banking and financial markets in West Germany. The Central Bank has frequently lamented this fact, claiming that in Germany as elsewhere too much weight is being put on monetary policy in the attempts to come to terms with slow growth and high inflation.

In Herr Pöhl's first eighteen months the Central Bank has as a result of its choice of policy priorities, never been far from controversy. Those who predicted that the former Social Democratic Party State Secretary for Finance, Herr Pöhl, would end up compromising the Central Bank's independence, have been disappointed.

Indeed in April his former political boss Chancellor Helmut Schmidt sharply criticised the Bundesbank's high interest rate policy in what turned out to be a not very private dispute with Herr Pöhl in the company of Bundesbank vice-president Dr Helmut Schlesinger.

While the Federal Chancellor has subsequently switched the line of attack and has been complaining that high German interest rates are threatening to plunge the world into depression. Herr Pöhl has kept up the pressure on Bonn to bring public expenditure under control. Already this year it has become clear that the public sector borrowing requirement will rise about DM 10bn to DM 70bn (£14.9bn): the Federal Government's share of this has gone up to around DM 34bn in spite of initial plans that it would be no higher than last year's level (DM 28bn).

The evidence of the failure to get budget spending under control has been one of the factors which, in May and early June, hit the longer term bond market which is faced with the problem of financing part of this growth.

The controversy over the weight the Bundesbank has been giving to meeting the twin external challange of a depreciating mark and imported inflation has been running for most of the past six months with many economists (including members of the influential German economic institutes) attacking the Bundesbank.

The main problem has been that the Bundesbank has felt itself constrained to tighten its monetary policy and force interest rates higher even though economic growth has been petering out. After real growth of 4.5 per cent in 1979, and a strong start to 1980, real growth petered out through the rest of the year to 1.8 per cent. In the fourth quarter GNP declined admidst fears that 1981 would also see no growth.

It was against this background that towards the end of 1980 the Bundesbank abandoned its policy of permitting interest rates to fall and switched the emphasis towards defending the mark on the foreign exchanges, trying to ensure that the fall in the mark did not stoke up the inflationary fires at home and stemming the outflow of currency.

Having previously moved cautiously in pursuit of these goals, on February 19 the Central Bank moved dramatically in the face of speculation which had sent the Mark plunging to DM 2.25 against the dollar and to the bottom of the European Monetary System. It suspended the Lombard rate through which banks automatically obtain funds from the Central Bank (it had been 9 per cent) and replaced it with a "special Lombard," set three percentage points higher at 12 per cent.

Its critics complained even more vocally that tight money and high real interest rates would choke-off the capital investment which it is agreed the economy needs as a foundation for future growth and export success. Instead they argued, it would be more sensible to let the exchange rate slide and take advantage of the accompanying devaluation of the Mark, which would help to make German exports more price competitive.

But with the inflation rate on a year on year basis moving from 5.1 per cent in October 1980 to 5.8 per cent in January, and the three month moving average threatening to break out to a level which would send warning lights flashing through the exchange markets, the Central Bank has stuck to its course in spite of the criticisms and the charge that the policies it has adopted have failed to stabilise the currency on the international markets.

THE MAIN BANKING GROUPS *

	Number	Offices	Per cent share	Business volume DM bn	Business volume Per cent share	Domestic loans† Enterprises and self-employed DM bn	Enterprises and self-employed Per cent share	Individuals DM bn	Individuals Per cent share	Housing DM bn	Housing Per cent share	Government DM bn	Government Per cent share
Commercial banks	246	6,140	14	554	24	171.0	31	31	23	57	13	40	14
Central Giro institutions (Landesbanks)	12	325	‡	383	16	78.0	14	2.2	2	50	11	92	32
Savings banks	599	17,489	39	519	22	120.0	22	49	37	121	28	52	18
Credit co-operatives	4,225	19,678	44	257	11	77.6	14	31	23	53	12	4.5	2
Mortgage banks	38	69	‡	319	14	40.0	7	2.4	2	140	32	80	28
Banks with special functions	17	93	‡	150	6	21.0	4	‡		12	2	16	6
All banks	5,355	44,666		2,351		544		132		436		287	

* Rounding up and omitting smaller banking groups including central institutions of credit co-operatives, instalment sales financing institutions and postal giro and postal savings banks offices—with business volume of DM 70bn. † Excludes Treasury bills, security holdings and housing (shown separately). ‡ Negligible. Note: Building and loan associations excluded because not classified as banks. Some mortgage banks are controlled or partially owned by commercial banks.

Challenges as pace of change quickens

STRUCTURE
STEWART FLEMING

THERE ARE too many banks in West Germany with too many offices. Under the impact of modern banking technology, in particular electronic funds transfer, that situation is going to change.

Indeed, as statistics covering the past 10 or 20 years amply illustrate, the structure of the industry has already been undergoing change. What will happen now is that the pace of change will accelerate. The domestic challenge for German bankers today, whether they are commercial bankers or savings bankers, private bankers or co-operative bankers, will be to try to ensure that they are not the ones to be left behind.

That technology should be picked out as the catalyst likely to have the most dramatic impact on the German banking market may appear to be a brave assumption. After all there is little doubt that the German retail banking customer in particular is a conservative creature who may have to be pulled, pushed and cajoled into accepting new forms of banking service.

It is already clear, however, that some of the banks see in the shifts already taking place in the market place an opportunity to seize a competitive advantage. Others are desperate to improve the profitability and efficiency of their operations. Others again are worried that unless they adopt new policies they will be left behind, perhaps by foreign competitors.

Innovation

Over the past few years, but particularly during the recent period of high interest rates, the structure of the liabilities side of the banks balance sheets has begun to alter as customers have moved deposits away from low interest savings accounts into short-term instruments offering higher rates. This too is altering the structure of competition and has helped to convince bankers that this decade will be a period of innovation and that, in the words of the American song writer Bob Dylan "you'd better start swimming or you'll sink like a stone, for the times they are a-changing."

A look at the banking structure of West Germany as it is today provides some indications of just how complex are the possible lines along which it could develop—as the accompanying table shows, though it does not encompass all permutations. The commercial banking sector, for example, is split into the big banks, regional banks, foreign banks and a large number of private banks. Building and loan associations are excluded and the postal giro and postal savings banks which some bankers fear could have a big impact in the future with changing technology, are omitted.

Perhaps the most important characteristic of the German banking structure, which is illustrated in the table, is its diversity, not just in terms of the number of different banking groups but also in terms of their market share.

The commercial banks—Deutsche Bank, Dresdner Bank, Commerzbank, Bayerische Vereinsbank and other large privately-owned institutions such as the Berliner Handels- und Frankfurter Bank (BHF Bank)— are running neck-and-neck with the savings bank in terms of total business volume. Perhaps more surprisingly, when one looks, for example, at the breakdown of lending, the savings banks have in the past 20 years built up a very substantial (22 per cent) share of lending to enterprises and self-employed individuals, against 31 per cent for the commercial banks, and have a commanding 37 per cent share of lending to private individuals.

Even more dramatic again is the performance of the co-operative banks. In 1960 they accounted for only 5.6 per cent of the total assets of the German banking industry. By 1980, according to an article by Herr Ernst Otto Sandvoss, chairman of the managing board of the Deutschen Girocentrale-Deutsche Kommunaubank in the March issue of the savings banks monthly journal Sparkasse, their share had doubled to 11 per cent.

Moreover by last year the credit co-operatives had a 23.5 per cent share of the private consumer lending market and a 14 per cent share of corporate and self-employed lending.

In part the splintering of the lending business in the German banking industry reflects the strength of the smaller entrepreneur—who plays such a major role in the German economy. (The big commercial banks are still without question dominant in the business of lending to giant companies.) But the strength of the savings and co-operative banks also owes something to the importance of branch networks in the banking industry during the 1950s and 1960s for serving both private and corporate customers. It can be no accident that the savings banks and credit co-operatives, whose strength has been growing, have by far the most extensive branch networks, or that between 1957 and 1980 the commercial banks expanded their branch networks more aggressively than any other banking group (from 2,281 offices to 6,160 offices) in their efforts to compete.

Adamant

Today of course that expansion by the commercial banks is over—only 17 new branches were opened net last year and the banks themselves are quite adamant that the era of rapid expansion of branches is past. Partly they want to save costs, but partly also they can see, like other bankers around the world, that with modern technology banks do not need so many branches any more.

The overall question to be answered is what does the shift of policy now beginning mean for the structure of competition. Will the three big commercial banks be able to halt the decline in their share of the total assets of the banking industry which has fallen from just over 24 per cent in 1950 to just over 9 per cent in 1980? Will they be able to reverse the trend which has seen their share of the lending business in Germany similarly decline from 32 per cent to 15 per cent over the same 30-year period, as the savings banks, co-operative banks and mortgage banks (some of which are, it has to be said, owned or partially owned by commercial banks) have expanded?

How will all the banks address the question of the now marked shift away from cheaper (for the banks) savings deposits by their customers, a shift which is adding to both the costs and the problems of liability management? Much depends here of course on the interest rate outlook.

But it would be surprising if German bankers were not looking at the impact which high interest rates and competition have had on the structure of the U.S. banking industry's deposits and asking themselves what the implications might be for West Germany, where their customers have already shown that interest rates do not need to reach much beyond double figures before old habits begin to change.

WEST GERMAN BANKING III

Hard lessons taken to heart

COMMERCIAL BANKS

STEWART FLEMING

WHILE MOST of the world was watching the dynamic international growth of the West German commercial banks in the 1970s not much attention was being paid to the fact that domestically their business was shrinking — not absolutely of course, but relative to other banking groups in the Federal Republic. Profitability was nothing to write home about either.

Bundesbank figures show that as a percentage of their average volume of business the big three commercial banks have on average been rather less profitable throughout the past decade than most of their competitors. It has to be borne in mind of course that these figures exclude much of the international operations of the banks which as yet do not report on a consolidated basis and for which therefore the central bank does not have satisfactory statistics.

So far as profitability is concerned the Bundesbank's figures show that operating results as a percentage of business volume slumped to 0.43 per cent in 1979, lower than that of all other banking groups except the foreign banks (0.29 per cent). In terms of overall market share the banks' slice of the industry's total assets was down to 9.4 per cent (1960 11.3 per cent), as too was the share of the savings banks. The co-operative banks and the Landesbanks in particular were growing faster. In the latter case partly because of their changed business policy and the rapid growth of public debt.

These comparisons are made in order to lay the foundations for the argument that the big commercial banks, both national and regional, are headed inexorably for a diminishing role in the German economy. Nothing seems more unlikely. They have close ties with industry through their lending board memberships and shareholdings, as well as through their role as universal banks trading shares and issuing securities. They have a strong position in the consumer market as lenders and (through the post-war build-up of their savings accounts in competition with savings banks) deposit-takers.

Coupled with the additional strength their international links have brought there can be little doubt that the commercial banks, both the national giants such as Deutsche Bank and the stronger regional institutions, have a breadth of coverage which no other single banking group can match. It may be too that their management is better, although after the events of the last two years such a statement can only be made with confidence about two or three of the larger banks.

Context

The point of this description, however, is to put into a broader context the performance of the banking industry and the commercial banks in particular.

It is already clear that no matter how poor the earnings of the banks were in 1979, last year was worse. For the first time in the Federal Republic's history one of the three largest banks, Commerzbank, paid no dividend and another, Dresdner, suffered the indignity of having to ask its shareholders for new capital at the same time as it was announcing a cut in its dividend for the first time since World War II.

Only Deutsche Bank was able to go to its shareholders for more money without any apologies — the surge in its earnings reflecting better judgment over the past three years or so of the economic environment in which it was operating and a more efficient communication of management policy throughout the organisation. It had some inherent advantages too stemming from its market leadership position, including a stronger base of cheap deposits than its rivals.

Perhaps only Bayerische Vereinsbank among the other leading banks managed to come through the year relatively unscathed, and is clearly emerging to challenge Commerzbank for the number three spot in the banking heirarchy.

Behind the plunge in profits, which would have looked even worse but for the strong commission earnings of the big banks, lie a variety of factors, bad judgment of trends in interest rates being one of them. Too many banks assumed that interest rates were going to fall when they did not. The problem went back to the post-1975 period when weak corporate loan demand and too much concentration on asset growth led the banks to make fixed rate loans on terms which, as short-term interest rates rose, became unprofitable.

The problems created by increasing losses on the financing of past loans were compounded by misjudgements on interest rates again last year which led to both losses on the financing of fixed interest securities portfolios (particularly public debt) and capital write-downs on bonds. When prices recover, however, the latter will bolster hidden reserves. Added to these setbacks was of course the continuing rise in operating costs stemming in part from wage increases but also from the over expansion of branch networks.

Internationally of course profits were under pressure too. Narrowing spreads in the Euromarkets and the realisation that the combination of increasing risks, shrinking capital bases and perhaps changes in German banking law were bringing to an end the days when volume growth equalled profit, even if profitability was declining.

All in all it is not a pretty picture, and most bankers are agreed that unless things suddenly and unexpectedly start going better in 1981 this year will not see a significant improvement and that in some cases results could be worse.

Profitability

It is already clear, however, that some hard lessons have been learned. Profitability is now the goal the bankers are focusing on. Those that were first making the loans and then worrying about financing them later are now paying more attention to liability management, an aspect of banking in Germany which is becoming more important as customers become more interest rate sensitive. Even Deutsche Bank last year, for example, reported that the share of sight deposits in total customer deposits has continued to fall since 1975.

The concentration reflects in part the realisation that with a reform of the Banking Law looming more capital is going to be needed to support a given volume of loans and probably that more of it will have to be raised internally. Equity issues can be an expensive source of finance and unless profitability improves shareholders may begin to wonder what they are getting for their money. The impact of capital requirements has already left its mark on the balance sheets of several large banks, including Dresdner and Commerzbank, both of which found themselves cutting back the total assets of their German parent companies last year in order to employ limited equity most profitably. It was the first time since the war that the assets of either bank had fallen during a year.

The cutting of costs, the running-off of older unprofitable loans, the growing proportion of new profitable ones and managements who are now well aware of the risks of "maturity transformation" when interest rates rise should all benefit the banks in the future—but not as much as a fall in interest rates would. In addition, however, there is likely to be greater selectivity in doing business, greater pressure on customers to pay for services and some hard thinking about business strategies, most notably in the retail banking area. Technology and shifting consumer preferences are opening up opportunities in this business. If the commercial banks are better managed and more flexible it could pay off in the German retail banking sector in the coming decade.

COMMERCIAL BANKS' PERFORMANCE

	Assets DM bn 1979	1980	% change	Profits DM m 1979	1980	% change	Dividend % 1979	1980	Last capital issue DM m
Deutsche Bank	158	175	+10.7	427	457	+ 7.0	9	10	472 (1981)
Dresdner Bank	153	159	+ 4.0	227	204	−10.0	9	6	275 (1981)
Commerzbank	100	100	nil	143	34	−76.0	81/2	nil	281 (1979)
Bayerische Vereinsbank	83	92	11.0	146	151	+ 3.4	9	9	190 (1981)

SHARES OF DOMESTIC MARKETS

(Per cent)

	Sight and deposit accounts 1960	1970	1980		Loans to non-banks 1960	1970	1980
BIG COMMERCIAL BANKS*							
Sight and time deposits	18.4	19.4	14.6	short-term	28.2	20.0	15.1
Savings deposits and bonds	9.0	9.6	9.4	medium and long	3.7	6.7	7.6
CO-OPERATIVES							
Sight and time deposits	4.7	7.4	13.7	short-term	17.2	17.1	20.3
Savings deposits and bonds	14.1	17.7	22.3	medium and long	3.4	7.1	10.2
SAVINGS BANKS							
Sight and time deposits	16.8	17.4	19.2	short-term	17.6	21.4	25.9
Savings deposits and bonds	—	59.3	54.7	medium and long	24.4	27.1	23.9
of which savings deposits	63.5	57.4	43.4				

*Three big reporting banks—excludes regional, private and foreign commercial banks.

Increasing threat to capital base

SAVINGS BANKS

STEWART FLEMING

WEST GERMANY'S credit co-operatives are making ever increasing inroads into the market shares of the other major banking groups. While both the big banks and the savings banks have been suffering from the intensifying competition, it is the savings banks which must now be judged more vulnerable because the problems they face if they are to reinforce their capital base in order to continue expanding.

Both the savings banks and the credit co-operatives have immense branch networks which in the past have been a vital element underpinning their growth. About 39 per cent of the banking offices in the Federal Republic are operated by savings banks and savings banks account for around 22 per cent of the banking industry's business volume. Credit co-operatives account for about 11 per cent of business volume and 44 per cent of banking offices.

But whether these branch networks will be the marketing advantage in the future that they have been in the past is questionable. Already some savings banks are moving rapidly in the direction of installing expensive capital intensive automated banking equipment. If this is indeed the direction in which the retail banking market in Germany is developing and if the pace of development accelerates, then the restructuring of branch networks presents a major challenge for all banking groups.

The savings banks also face a competitive challenge on the liability side of their balance sheets. High interest rates have produced a marked change in the savings habits of retail banking customers who have been cashing in their savings deposit accounts where they have been earning as little as 4½ per cent interest over the past year. They have instead bought savings bonds (Sparbriefe) with interest rates of between 7 and 9 per cent and bearer bonds (inhaberschuldverschreibungen) issued by Landesbanks and mortgage banks in particular which are offering yields of 12 per cent.

This competition has already caused turmoil in the savings banks associations, since the savings banks cannot generally offer the bearer bonds, and are finding themselves selling other institutions' securities to their customers who are withdrawing the funds from their savings bank accounts to pay for them.

Beyond the pressures of the moment however are some long term trends which have been hitting the savings banks. Thus the annual report of the Bundesbank shows that there has been a steady erosion of the capital resources of the savings banks reckoned in terms of German Bank Law regulations. Dr Helmut Geiger, president of the Savings Bank Association, has warned that one third of the nations savings banks are approaching legal lending limits.

Aggravation

A number of factors account for this problem. Savings banks are publicly owned by the local authorities in the regions in which they operate. By tradition they do not call on their local authorities for new capital. Some savings bankers say they seek to avoid this because they also want to avoid the political aggravation such requests for public funds could create, particularly at a time when banking profits are low.

The result is that the banks must generate their own capital from profits and at the same time seek to pay their owners dividends. At a time of weak profits their ability to do this is reduced. Moreover the savings banks are faced with the removal of their corporation tax privileges. The association has claimed that the extra taxes could lead to serious capital problems for some savings banks. These complaints must be seen as part of the lobbying the savings banks have launched for concessions under the proposed Banking Law reform, which would allow them to count their public guarantee as a form of equity capital when calculating Banking Law capital ratios.

The position of savings banks in different regions varies. Some savings banks, particularly those in inner cities which have suffered from outward migration of population, have been worse hit than others. But since loans to public authorities do not require capital backing, the savings banks like the Landesbanks have considerable opportunities for expansion.

The savings banks also complain about other disadvantages which they have in relation to their competitors. Their local base, for example, means that each bank's equity capital is relatively small and this restricts their ability to make large loans since the Banking Law puts limits on the relationship between the amount of capital and the size of individual loans.

As the savings banks have increasingly built up their corporate lending, and have come into competition with commercial banks and indirectly with Landesbanks, some of the larger savings banks have become more and more frustrated with these restrictions.

There is evidence that some of the bigger savings banks, as they evolve more and more into direct competitors with universal banks, are finding their relationship with the Landesbanks—both those they jointly own and those in other states—deteriorating. The Landesbanks too, in some cases, feel they are getting little in return for their long standing agreement not to compete directly for the business of their savings bank shareholders.

If as it appears, high interest rates and greater concentration on liability management, leads to the continued erosion of the savings banks' greatest strength, access to a stable and cheap deposit base, then the understandings of the past will come under increasing pressure from the competitive realities of the present.

Poor results intensify debate over role

LANDESBANKS

STEWART FLEMING

AFTER Westdeutsche Landesbanks (West LB) revealed its 1980 profits to a crowded pres conference in Dusseldorf last month the bewildered reporters at the meeting found themselves invited to down champagne before dinner with the banks top executives.

There was nothing much to celebrate in reality in the performance last year of West Germany's second biggest banking organisation. Indeed it results were so disappointing that the chief executive Dr Johannes Völling found himself having to deny rumours that he was likely to be asked to step down as a result of the errors the bank had made.

West LB's figures were among the worst in the banking industry. Despite another surge in assets to DM 114bn, group profits had plunged from DM 188m to DM 61m and the parent bank had only managed to avoid reporting a loss as a result of the substantial profits of its building society subsidiary. The bank's owners were told that htey would receive no dividend for the year and on top of that warned that the current year's dividend would probably not be paid either.

Predictable

Public reaction to the disclosure was perhaps predictable. The debate baout whether the Landesbanks are more accident-prone than their commercial bank rivals has been resumed, along with questions about the role of the banks and their business strategies.

It has to be said that West LB has only itself to blame for part of the furore. Back in December the bank had moved—perhaps foolishly—to quell speculation about its profitability by denying that earnings had slumped dramatically and predicting a maintained dividend. The latter was a particularly reassuring piece of information for West LB's owners who were being asked to chip in another DM 200m of equity capital. Not surprisingly when they learnt that things were in fact rather worse than they had been led to believe one or two of them muttered about being "deceived."

That the public debate about the role and future of the Landesbanks does not die down owes something to a number of expensive and well publicised errors which have accompanied the development of the Landesbanks over the past decade as they have broadened their horizons to compete with the big commercial banks both domestically and internationally. It also reflects the fact that the Landesbanks are publically owned and that the political careers of politicians as well as taxpayers money can be at stake when a Landesbank hits trouble.

The Landesbanks are in most cases owned jointly by the state in which they are located and the savings banks associations in the state (the savings banks in their turn are also publicly owned, thus West LB for example is controlled by the State of North-Rhine Westphalia and the savings banks associations in the region. The public ownership and the public guarantee that goes with it inevitably brings the Landesbanks into the spotlight, particularly at times of distress and when they are asking their owners for new capital. Both situations have been common.

WestLB, even before the publication of its latest earnings figures, has never been far from controversy. In the early 1970s it disclosed some DM 270m of foreign exchange losses. Then in 1977 Herr Ludwig Poullain, chairman of the bank and the man credited with fostering the expansionist policies which took many of the Landesbanks into competition with the big commercial banks, resigned and is currently standing trial accused of fruad, corruption and breach of trust, charges stemming from his connection during the 1960s and 1970s with a finance broker, Herr Franz Josef Schmidt.

Other Landesbanks too have suffered embarrassing losses. Hessische Landesbank, for example, had to ask its owner to pump over DM 2bn of equity capital into the bank in 1976 in the wake of losses resulting partly from property speculation. That such a huge sum of money was put into the bank is perhaps the most convincing demonstration of the strength of the public guarantee.

Some Landesbank executives concede that, with hindsight, the problems that have been encountered were perhaps predictable. Some of the problems are attributed to the difficulties the banks' managements have had in reconciling their traditional role as liquidity managers for their savings bank shareholders and as house banks and issuing houses for their state governments with the policies which have led the Landesbanks into competition with the big comercial banks. It is suggested for example that political influence has in the past at times played too big a role in the selection and promotion of executives or in business judgments.

More generally perhaps it can be said that inadequate attention was paid initially to the implications of the growth policies of the Landesbanks for the traditional relationships between the banks and their owners. It is suggested too that in some cases the Landesbanks initially lacked the management depth and experience to carry out successfully the evolution into comercial and international banking which they were undertaking.

THE LANDESBANKS—1980

	Assets (DM bn)	Profits (DM m)	Per cent change in profits
Westdeutsche	114.0	61.0	−67.5
Bayerische	83.3	115.7	+ 3.0
Hessische	54.4	65.0	−56.0
Norddeutsche	45.8	15.0	+15.0

Weaknesses

Perhaps there was a tendency too to try and go too far too fast and a failure to recognise just how important some of the structural weaknesses of the Landesbanks vis-a-vis their commercial bank rivals were. The aggressive expansion, it is suggested, was in part aimed at compensating for these weaknesses.

Thus the Landesbanks have no extensive branch networks through which to take deposits or make consumer loans and are thus limited to the wholesale banking market—their savings bank shareholders would have it no other way. In the wholesale market however, they lack the close, and long-standing ties with industrial companies such as leading commercial banks like Deutsche Bank or Dresdner Bank possess.

The Landesbank's strengths are in raising medium and long-term funds as issuing houses and in making medium and longer term loans. Over the past two years demand for such finance outside the public sector has been low. In addition, the structure of their balance sheets—and the big bond portfolios they tend to hold—have made them vulnerable to the surge in interest rates of the past two years and in particular to the long period during which short-term interest rates have been higher than long-term.

Some of the Landesbanks seem to have coped with these problems more successfully than others, which suggests that sound management has been able to offset these difficulties. The obvious example is the Bayerische Landesbank — although the Hessische Landesbank too, once it put its problems of the early 1970s behind it, has successfully followed a conservative expansion policy. There are those who would argue that the development of the Landesbanks into international competitors with commercial banks has gone too far now to be reversed and that as financial conditions change and interest rates fall their role as providers of medium and long-term finance for business will revive.

It seems likely, however, that the Landesbanks—like other German banks — will be approaching their development too with an eye more firmly fixed on profitability and not just growth. The successful pursuit of such policies will tend to make for smoother and clearer relationships between owners and management, something which would seem to be vital to the successful operation of the Landesbanks.

Opportunities to grasp

CONTINUED FROM PAGE 1

time of narrow international lending margins, one of the most striking characteristics of the current situation is the underlying strength which the financial sector has demonstrated through difficult times. The challenge facing the banks is to employ these resources efficiently in a swiftly changing environment.

The West German banking industry's structure has been changing steadily over the past 20 years—the number of banks for example has shrunk from 13,300 in 1957 to 5,300 in 1980—and increasingly the differences between business which the bigger banking groups conduct have been diminishing.

Savings banks and co-operatives have been increasing their share of business lending, and the commercial banks eating into the savings market. Their customers now have responded with astonishing speed to the high interest rate regime of the past two years, moving funds from savings accounts into higher earning deposit accounts and bonds. Electronic banking is looming on the horizon. There is intensifying competition on both the assets and the liability sides of the banks' balance sheets.

As in the U.S. so in Germany, albeit to a lesser extent, high interest rates, inflation and changing banking technology have begun to accelerate the process by which the demarcation lines dividing different banking groups have been steadily fading away. There are already, for example, mounting tensions between the Landesbanks and the savings banks, which are in most states joint shareholders in the Landesbanks. Both sides feel that the long-standing partnership between them is serving the interests of the other party better.

The evolution of the banking structure is presenting new opportunities and challenges to the bankers. The experience of the past two years, however, shows that those with the stronger management will be able to grasp these opportunities more successfully.

The wider question, however, is to what extent will this process of evolution in the banking structure contribute to the efficiency and stability of the economy of what is still predominantly an industrial trading nation.

The financing of what has been called the necessary "re-industrialisation" of the West German economy to meet the challenge on international markets still lies ahead. Anxieties remain about how this will be accomplished. Thus in its latest annual report the Bundesbank again laments the weakness of the West German share market as a source of the equity finance which would help to stimulate industrial innovation and expansion.

Midland bid highlights hopes

FOREIGN BANKS

STEWART FLEMING

EARLY LAST year Midland Bank, the big London clearing bank, stunned the Frankfurt banking community with the announcement that it was proposing to buy control of the German private bank Trinkaus and Burkhardt from Citibank, the second largest U.S. bank.

The news came as a shock for a variety of reasons. For one thing, Midland has not been among the more aggressive of the world's large banks in its international expansion plans, although its moves in the U.S. had clearly indicated that this attitude was changing. (Its bid for the Californian bank Crocker National is still awaiting U.S. regulatory approval.)

There was inevitably a feeling too that if Citibank wanted to sell then Midland might be in danger of picking up an organisation which did not have a future. This assessment probably overlooked the growing incompatibility between Citibank's own extensive (by the standards of foreign banks in Germany) operations in the federal republic and the Trinkhaus concern.

But perhaps the fundamental feeling was that around $100m was an awful lot of money to pay for a not very large stake in a German banking market which has probably been the burial ground of the ambitions of more foreign banks than any other of the advanced industrial nations where foreign banks have established operations.

The Bundesbank's statistics and its annual report on the profitability of foreign banks in Germany underline the point. The branches of the foreign banks have been able to build up no more than a 2 per cent share of the total German banking market, whether one measures their stake by total assets or, for example, their share of total lending to the German corporate sector. In total their lending to private individuals is virtually non-existent, although Citibank has a separate consumer credit subsidiary.

Difficult

Like their German counterparts moreover, the banks — judging from published data — have not been especially profitable in recent years. It would of course be surprsing if they had been in view of the difficult conditions that have prevailed over the past two years in particular.

Behind the problems of the foreign banks is a variety of factors, including of course the cost pressures which have been generally felt and the special factor that some of the foreign banks, in hindsight, probably went too far setting up branches in a number of German cities, branches which have really not proved their worth and are now being cut back in some cases.

In addition, of course, foreign bankers have tended to complain of discrimination. The fact that they have not had the close industrial links, through shareholdings and board memberships, of the domestic banks has clearly been a significant disadvantage. Whether this has led to active discrimination is unclear, however. Without a domestic deposit base, and in competition with German banks whose lending has often been medium- and long-term, it is easy to see why the foreign banks increased their lending to German domestic corporations and self-employed individuals only from DM9bn to DM10bn in the five years 1975-1980.

Moreover, as interest rates have increased the disadvantage of not having access to a cheap deposit base have clearly become greater.

So far as discrimination is concerned, however, even German bankers concede that the banking industry in the Federal Republic still contains a streak of chauvinism which tends to exclude foreign banks from domestically based lending consortia. Indeed, Midland must be hoping that Trinkhau's membership in some of these groups will smooth its passage into sections of the domestic market. It is notable too how many foreign banks have German-born executives.

Some bankers see fleeting signs that attitudes with respect to including foreign banks may be changing, if slowly. Thus in April Morgan Guaranty Trust became the first non-German bank to participate in a leading position in an export-financing package for a major German company.

Branches

But if conditions in the German banking market are so tough why do so many foreign banks stay? The latest Bundesbank figures suggest that around 56 foreign banks have branches in the Federal Republic, but including subsidiaries and representative offices the number of foreign banks operating in Germany is over 200.

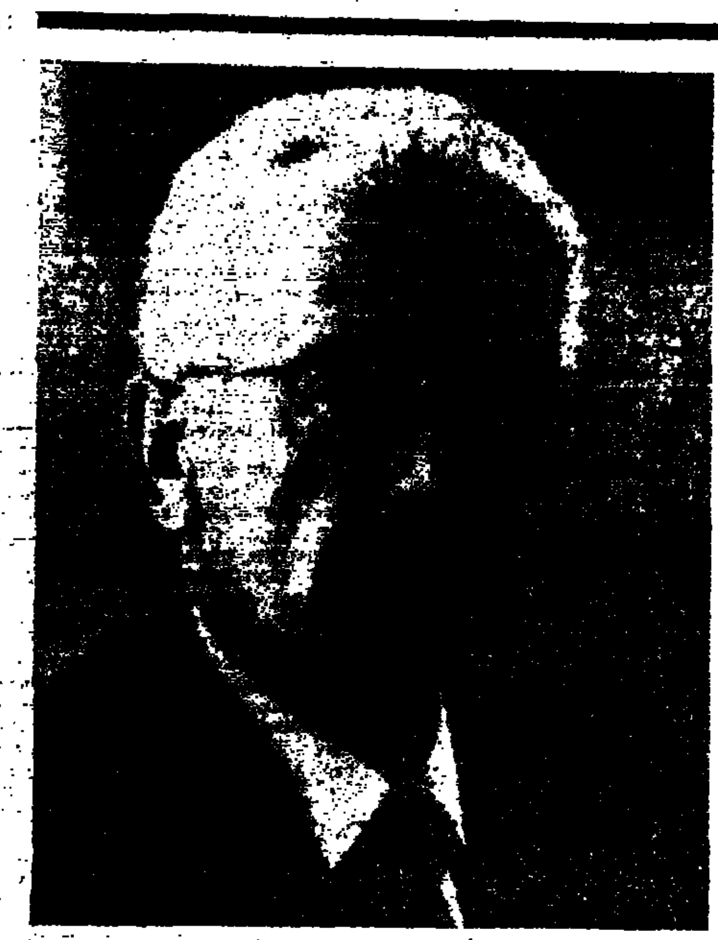
One answer to the question is that the Bundesbank's data probably understates the strength of the foreign banks' position in the German market. Business which is being done with some of the bigger international German companies may well be booked outside Germany even though it is arranged by German-based staff. Profits too may be taken elsewhere.

In addition of course foreign banks operating on an international scale clearly feel that a position in the important Frankfurt foreign exchange market—the D-mark is after all the world's second largest reserve asset currency—is an important and potentially profitable commitment.

Some foreign bankers maintain that because of the D-Mark and of Germany and its corporations in world trade it is important too to have a "listening post" in the Federal Republic. Other banks moreover use their German (and particularly Frankfurt) bases as jumping off points from which to cover other areas of Europe.

But perhaps hope plays a part too in keeping the foreign banks on German soil—the hope that the commitment will over time pay bigger and bigger rewards as the internationalisation of the world banking and financial market proceeds. The last few years have been particularly tough ones for German banks as well, and now some foreign bankers are saying (and no doubt telling their head offices) that under the umbrella of a more profit-conscious German banking industry their operations will become more profitable too. Who knows? They could be right.

WEST GERMAN BANKING V



Dr Heinz Sippel

PROFILE: Heinz Sippel

Leading mind in the Landesbank sector

"I WAS the first banker to be chairman of the management board of the Hessische Landesbank," says Dr Heinz Sippel, casting his mind back to his appointment in 1975 to what must have been one of the most daunting challenges a German banker has faced.

In 1974 it had emerged that the bank, like most other Landesbanks jointly owned by the state of Hessen and the savings banks associations in the state, had lost in the region of DM 2bn (the precise sum has never been disclosed) as a result of ill-judged banking decisions and property speculation. The scandal led to sweeping changes in management of the bank, including the resignation in 1973 of Dr Wilhelm Hankel, it president.

Dr Sippel was brought in to straighten out the banks affairs and put it on a solid and professional footing. Born in 1922 he began his career in 1951 (after a period as a POW in England and university education in Cologne) with the Kreditanstalt fur Wiederaufbau, the agency through which Marshall Aid funds were channelled into the reconstruction of German industry. In 1957 he moved to Commerzbank and then in 1961 to a private bank in Dusseldorf before joining one of the banks which eventually became the Westdeutsche Landesbank (West LB).

He became a managing board member of West LB in 1969. It was about this time that Herr Ludwig Poullain was in the process of helping to transform the outlook of the savings banks and Landesbanks in Germany, adopting policies which would bring them into the international banking marketplace and into direct competition with the commercial banks.

Dr Sippel clearly agreed with the general thrust of these initiatives. One of his conditions in moving to the Hessische Landesbank in 1975 was an assurance that the owners did not want somebody whose prime responsibility would be to curb the bank's expansion and lead it back in the direction of becoming again merely the manager of liquidity for its savings bank owners on the one hand and of the public financing of the state on the other.

Dr Sippel is conscious, however, that the Landesbanks "should not make the mistake of trying to service everybody"—that they are wholesale banks and should seek to compete with the commercial banks only in areas where they have competitive advantages and not merely by cutting margins. The most obvious area of course is longer term commercial lending financed by the bank's bond issues.

When he took over at Hessische Landesbank his first task was to re-organise the management and make sure that the bank was run by professional bankers with the experience and training to do the job—both at management board level and the next level down.

It was not until 1977, two years after joining the bank, that he was able to start developing its business—having brought in, among others, many executives from foreign banks.

Dr Sippel's characteristic caution and his firmness in asserting that management, not the two shareholders, exercise day-to-day control of the bank have been important factors in its development. He thus took a cautious (and correct) view of interest rates in 1978/79 and did not bet on the early downturn which other banks (to their cost) anticipated.

The protracted period of high rates has still left its mark on the bank's operations, however, and he has warned that 1981 will be a more difficult year than 1980. But the foundations have been laid for a solidly based expansion of the bank, whose assets now total DM 54bn. Dr Sippel can say confidently "we are accepted as partners by every big German bank."

Stewart Fleming

PROFILE: Manfred Meier-Preschany

Skilled in rescue work

"COMPANY RESCUES are not a matter for gentlemen. The business is rough." Dr Manfred Meier-Preschany should know. As Dresdner Bank's specialist in retrieving corporate failures he has been in the business for a long time. He cut his teeth in his first attempt to save a company from going to the wall in the late 1950s—he joined Dresdner Bank in 1953—when an ailing bicycle and motorcycle concern in Nürnberg, Victoria-Werke, was close to collapse.

In the early 1970s he led the German banks' search for a buyer for Zimmer, then a failing process plant engineering company and today one of the most profitable parts of Britain's Davy Corporation where Meier-Preschany is still a non-executive director. More recently he orchestrated the rescue of Pegulan, a West German carpet maker with an annual turnover approaching DM 1bn.

A member of the board of Dresdner Bank since 1971, Meier-Preschany (52) is still in the midst of his biggest corporate rescue to date, the attempt to take the most prestigious casualty of post-war German industry, AEG-Telefunken, from the intensive-care unit to the out-patients department.

It is too early to judge whether the treatment prescribed in this case will effect a lasting cure. It seems likely that West Germany's second largest electrical and electronics group is still in need of very careful nursing and probably a transfusion of a lot more money if it is to avoid a relapse. But the case has provided a fascinating example of "West Germany AG" in action trying to save one of its most prestigious companies.

At the same time it has illustrated well the style of one of Germany's leading bankers as he has sought to corral, cajole and persuade members of the German and the international financial community into pouring more than DM 1bn—up to now and the rescue is not yet over—into a company which some believe has still only a doubtful future.

"Dealing with a consortium of banks is more difficult than watching over a sack full of fleas," says Meir-Preschany irreverently, but in the case of AEG he finally tied together a group of 25 banks, 24 from West Germany and one from Switzerland, which clearly saw it as part of their duty, or at least as part of their long-term business interests in Germany, to make a contribution to the rescue.

Dr Manfred Meier-Preschany

American and some other foreign bankers who did not take to his approach describe the Meier-Preschany tactics as being one of collecting the target bankers in a room and locking the doors, with no one having permission to leave until a deal has been done. He did not warm to the demands of U.S. bankers for financial projections that would chart in nicely drawn graphs the recovery path AEG would follow.

Harshly realistic, Meier-Preschany maintains that such forecasts are not worth the paper they are written on. The figures change from day to day. He admits that the American system demands figures, the Chrysler rescue being a leading example, but he clearly believes in the principle, of when in Rome do as the Romans do. Corporate rescues he insists, are a matter of trust and depend on people. The most important piece fitted into the AEG recovery programme was the choice of Herr Heinz Dürr, a charismatic industrialist and entrepreneur from Baden-Würtemberg, as the new chairman, charged with the task of motivating an obviously demoralised management.

The German system is different from the Anglo-Saxon, says Meier-Preschany forcefully, a belief he outlined in a recent speech to Harvard Business School.

"The U.S. system focuses on the shares market, where short-term performance looms large, while the German system is more likely to give greater weight to shop-floor and long-term considerations.

"In industrial relations there is a strong awareness that high and profitable output is in the interest of management and labour alike. The participation not only of workers but also of bankers in management leads to a greater emphasis on human and technical considerations, as against a stock exchange-oriented concept of "performance." Social policy is considered to be the pacemaker of economic and industrial progress."

Such a philosophical approach to the far-reaching role the German banks play in German industry goes at least some of the way to explaining repeated Anglo-Saxon bafflement when confronted with the German banking system.

Involvement with industry is an important part of Meier-Preschany's role at Dresdner Bank and he is present on numerous company boards. But he is too the board member responsible for Dresdner's domestic banking business in Frankfurt and the region of Hesse, as well as being responsible for the bank's $5bn-$6bn banking interests in North America and for activities in Latin America. The day that Dresdner Bank announces it is bidding for a U.S. bank—its ambitions are clear—it is probable that the candidate will have been selected by Meier-Preschany.

Kevin Done

PROFILE: Helmut Geiger

Savings banks' champion

THE REPUTABLE West German weekly Die Zeit gave him credit for skilful manoeuvring. It even said he caught the Federal Finance Minister in his net.

The man with the "net" is Dr Helmut Geiger, 52, president of the Federation of German Savings and Giro Banks. He has been fighting mightly for the members of his organisation.

He argued that with the unlimited guarantee of the Laender, the provincial states and behind them the savings banks, should be allowed to count as part of their capital an extra 50 per cent above their actual reserves. This argument—pushed by the Laender—seems to have won Bonn Finance Ministry support. It agreed to make the necessary legislative proposals in connection with the impending banking law reform.

Herr Geiger and his powerful federation appear also to have decisively influenced the intense battle in the international traveller's cheque market. It is now highly likely that ETCI, the European banking group which includes all German banks with the exception of the savings banks, will sever its ties with Mastercard and reunite with the savings banks to form an alliance with American Express.

Above all, however, Herr Geiger is dedicated to the promotion of the task-oriented philosophy of the German savings banks which he describes as including solidarity and excluding competitiveness within one's own banking group. As president of the Geneva-based International Savings Bank Institute, he has ample opportunity to propagate this philosophy on an international scale.

Competition for the personal sector between the savings banks and the commercial banks in the cities, on the one hand and with the co-operative banks in the countryside, on the other, is strong and broad-based, Herr Geiger says. He uses the metaphor of a pyramid to give an impression of his banking group's range and volume of activity. The savings bank's services for the private customer form the wide bottom and the Landesbank's and corporate business the apex.

By definition and tradition, he explains, the German savings banks have since their inception catered for modest private households, small businesses and artisans. From the beginning they have been involved in housebuilding financing. Reconstruction in the post-war period boosted this activity. The savings banks and Landesbanks together now have a 50 per cent market share in this field. And they have always refinanced the public sector—though the Federal States' demand for this service has declined slightly since the late 1970s.

Herr Geiger sees this role of the savings banks as fundamentally unchanged. He attacks the reduction in Government-sponsored savings incentives passed by the Bundestag recently, because it affects people with small salaries rather than big income earners.

Although the savings banks subscribe to the Eurocard system and sell travellers cheques, their customers—who travel primarily inside Europe—are happiest with the Eurocheque service, Herr Geiger notes.

Herr Geiger believes that bank automation is the central issue of the 1980s. He recalls that in the 1970s central computers were introduced which considerably helped the work of the 17,000 German savings bank branches. This decade, he feels, is bound to bring banking self-service—an inevitable development comparable to that which took place earlier in the rest of the retail trade. The use of ATMS and Viewdata may result in a closure of smaller savings bank branches, but it is the customer who, in the last resort, will benefit from branch cost cuts by being offered cheaper services.

Elgin Schroeder

The remainder of the survey discusses some of the more general aspects of finance, ranging over international operations, stock markets and the like.

Important pillar of the industry

INTERNATIONAL OPERATIONS

STEWART FLEMING

"FOREIGN BANKING continues to be one of our most important pillars. So long as Germany is an important trading nation banks have to stay in this business."

It might appear that this remark by Herr Englebert Dickin, a managing board member of Commerzbank, is a statement of the obvious, underlining as it does the clear connection between the dramatic growth of the international activities of the German banking industry over the past decade and the international role of the German corporate sector through exports and direct investment.

It is already clear, however, that the coincidence of a variety of factors ranging from two years of plunging profits at many banks to the prospects of a far-reaching reform of German banking law, the weakness of the D-mark on the foreign exchanges and the bankers' own perception of the higher risks they now face in international lending at a time of low lending margins, are creating a much more cautious attitude towards international expansion in the German banking industry. That is quite an abrupt change of tack.

Leaders

The hectic expansion of the German banking industry's international operations in the 1970s was one of the salient features of the world's financial markets. Giants such as Deutsche Bank and Dresdner Bank spread their foreign branch networks to the world's major financial centres, they became leaders in the development of the Euromarkets, partly because of the strength of the D-Mark and low German interest rates in the issue of international bonds.

Statistical data on the banks' international expansion is not readily available because they are not yet required to produce consolidated accounts or provide a breakdown of domestic and foreign business. But there are a number of indicators of the pace at which the banks have been growing internationally.

According to statistics from the Bank for International Settlements foreign lending by banks out of Luxembourg increased between 1977 and 1980 from $44bn to $87bn. Luxembourg of course is just one of the international centres from which German banks in particular have been conducting a substantial proportion of their foreign lending. Banks from a wide range of countries are responsible for the expansion of the Luxembourg-based lending but a significant proportion of it will have been accounted for by German-owned banking subsidiaries. The assets of the Luxembourg subsidiary of the Deutsche Bank alone increased from DM 4.1bn in September 1973 to DM 12bn in 1977 and to DM 19.3bn in September 1980.

It is evident now, however, that the tempo is changing, as one senior banker put it: "The development of our international network has reached saturation point and we have started a period of consolidation." Another conceded that a much more cautious and selective business policy is likely to be the hallmark of the German banking industry's international operations in the years immediately ahead. Asset growth in particular is likely to be slower for most banks.

In part of course changes in the pace of international growth are a normal response to bankers' perceptions of risk and reward. Last year, for example, there was a period when it was clear that the U.S. banks were restraining their international expansion under the influence of narrow interest rate margins and the feeling that risks had become too great. German bankers are perhaps more worried than some of their U.S. competitors about the international risk/reward relationship.

Some suggest that a number of their competitors have reached the point were the future of the bank is too closely tied to the continued creditworthiness of a particular borrower. They would sympathise with the recent remark of U.S. Federal Reserve Board Governor Mr. Henry Wallich that "in some cases one wonders whether for some banks their in home country limits are not more nearly marketing objectives."

As a result the banks are already beginning to pay more attention to employing their capital to back the more profitable forms of business and to paying closer attention to the internal creation of capital.

Some German bankers suggest that one of the reasons why they have been attracted to export financing business and have not been so heavily involved in straight balance of payments loans has been that this business tends to be more profitable. It also helps of course to build customer relationships and often carries government export credit guarantees.

But it is equally clear that such financing is not trouble-free. The German banks are currently, along with other international banks, struggling with the rescheduling of their heavy commitments to Poland. Dresdner Bank has estimated that German banks have some DM 4.8bn lent out to Poland—of which DM 1.8bn is covered by export credit guarantees. This commitment to Poland in part reflects German trade relationships, including for example imports of coal and copper. There is little doubt either that certainly last year the banks came under a certain amount of political pressure to make new loans. That said, however, it is equally clear that the banks themselves are so committed that they feel their commercial interests are compatible with Bonn's political interests.

These pressure to satisfy political priorities, the demands of their customers and their national responsibility to support export business will also mean that, barring a radical shift in policy in Bonn on the issue of gas imports from the Soviet Union, the German banks will provide the finance for their portion of the proposed 5,000 km gas pipeline from Siberia to Western Europe. The total financing could come to DM 10bn; much of this will be in financing German equipment used in the construction of the line.

The terms on which this huge credit is financed has become a much more sensitive issue because of the volatility of interest rates and the banks' own profit-consciousness. Finalisation of the deal has already been postponed because rising interest rates have made the terms initially discussed unattractive to the banks.

Rising interest rates and the pressure which the D-mark has come under on the foreign exchanges have also hit another important aspect of the banks' international business—D-Mark denominated bond issues for international borrowers. Late last year under a "gentleman's agreement" with the Bundesbank the banks called a halt to this business, which was putting additional burdens on the D-Mark. Now domestic interest rates and exchange rate uncertainties have risen to the point where foreign borrowers have lost interest in tapping the market.

Thus even though the "gentleman's agreement" was allowed to expire in February, the D-Mark bond issue market has been slack and no new issues are scheduled for June.

Determined

While the banks are clearly determined to put greater emphasis on profitability and intend to be more cautious and selective in their international operations, this attitude should not be interpreted as implying that they are intending to pull in their horns. Having spent considerable effort building international networks and with their home market, by most estimates, perhaps the most competitive and heavily overbanked in the world, there are plenty of incentives for them to continue to look for growth abroad. In this context it is clear that intensive lobbying will be going on in the coming months to try and ensure that the burden of the reform of Banking Law on their international operations is not too heavy.

Already it is also clear that German bankers are watching closely the development of the U.S. and Canadian banking industries, where changing laws and the breakdown of traditional divisions between the various types of financial institution are clearly being followed closely in the expectation that fresh opportunities will be opening up for the foreign banks too.

Anxiety over final framework of proposals

REFORM OF LAW

STEWART FLEMING

HERR HELMUT Haeusgen, chairman of the supervisory board of Dresdner Bank, warned earlier this month that if plans for the reform of West German Banking Law went ahead according to the proposals initially outlined by the commission of inquiry into reform, then German private commercial banks alone could be forced to reduce their total loans by between DM 70bn and DM 90bn.

Few, of course, are now anticipating that such a drastic reform of the Banking Law lies ahead. Already one set of draft proposals has been set aside in Bonn and work has begun on revised regulations. Not many bankers are expecting the status quo to remain, however. Indeed most would agree with Herr Haeusgen when he said "I personally, and I believe that this applies to all German banks, am in favour of a greater degree of transparency in international markets, and a consolidation of a banking group's balance sheet is one step in this direction."

But the terms on which reform is finally put through are of vital concern to the banks and have already become a source of anxiety. In part this is because of fears, particularly in the private banking sector, that proposals which have been discussed could weaken their position internationally. "Care should be taken that national regulations do not burden national banks with discriminatory barriers." Mr Haeusgen commented, adding that there is also the danger that changes in the law could in practice give the government effective control over the ability of the banks to grow.

But there are other factors worrying the bankers. One is that in the lobbying now underway in Bonn, some of the banking groups (particularly those which have more political muscle and a broader popular base) will be able to secure concessions which will give them a competitive advantage. The German Banking Law applies equally to all the banking groups—the private banks, the savings banks, the Landesbanks and the co-operative banks. But there is little doubt that one of the key proposals—the requirement to consolidate banking subsidiaries based both in Germany and (more important for the private commercial banks) those based abroad—could hit the commercial banks hardest.

The issue of consolidation is complex. Strict German banking laws require among other things that a bank's loans and equity participations do not exceed eighteen times its equity capital—i.e., capital plus reserves plus retained profits.

Complicated

This general requirement hides complicated detail, however. For example, bank loans to the German Government and Government bodies do not need any equity capital backing at all; loans with Government guarantees require only half the full capital support; interbank loans to domestic banks require only 20 per cent of the full equity capital backing.

Outside this area of lending to the Government — and one reason why Government and local authorities have been able to increase their debt so rapidly and easily—the capital ratio is a constraint on a bank's growth —partly in order to get around this constraint the banks set up subsidiaries in Luxembourg and elsewhere which were not consolidated and not subject to the German Banking Law, and which have been able to expand more rapidly, with capital loan ratios that have been as high as 28 times.

Apart from the implications of new consolidation requirements in themselves, there are other factors which are causing the banks anxiety.

First, the proposed reforms are coming at a time when the German banking industry has just gone through its worst profits experience in the post-war period. This has of course weakened the banks' ability to generate new capital internally to back expansion and made it more difficult to keep asking shareholders for new equity funds. The latter are more willing to put money in and the funds are cheaper for the banks when share prices are not depressed — as they are currently. There is no doubt, however, that one of the reasons for the spate of new equity issues from banks at the end of 1980 and the beginning of 1981 was partly to strengthen capital bases in anticipation of changes in the Banking Law.

Beyond the implications of consolidation, however, lie other aspects of the proposed reform which are worrying the banks. Chief among these are the implications of change for the competitive balance between different groups of institutions.

The savings banks, for example, which have also been suffering from falling earnings and an eroded capital base, have been lobbying for concessions which would enable them to strengthen their capital by allowing their public guarantee (the savings banks are publicly owned by local authorities) to be counted as if it were a form of equity capital. Thus, for example, a savings bank might be able to increase its financial capital by a fifth on the grounds that the extra 20 per cent was the implicit value of the guarantee when it came to calculating the equity/loan ratio. The co-operative banks want uncalled capital to continue to count.

Some banks have raised the question of whether, as in other countries, subordinated loan capital should be introduced into Germany as a form of equity.

A variety of factors lie behind the pressure for reform and the priority which is being given to different aspects of it. Unquestionably the collapse of Bankhaus Herstatt and the insights which emerged from dissecting the reasons for the bank's failure are one motivation.

Indeed in the wake of the Herstatt failure a number of amendments to the Banking Act, dealing in particular with foreign exchange trading and large loans, were rushed through. Subsequently a Finance Ministry commission of inquiry under Professor Ernst Gessler, undertook a wide-ranging inquiry into banking industry issues, including questions about the industrial power which the banks have through their major shareholding in corporations and their representation on the boards of companies.

WEST GERMAN BANKING VII

Rising rentals attract foreign interest

PROPERTY
KEVIN DONE

FOREIGN INVESTORS looking for the first time at the West German property market have a right to be more than a little nonplussed. The country lacks a highly developed sophisticated national property market, with the result that the newcomer will find no easy way of getting an overview of market trends.

The problem is made greater by the fact that the federal system of government has led inevitably to the creation of a number of regional markets, often of similar importance, but where local conditions may vary widely.

Equally, West German property agents or brokers tend to be active only in their local markets rather than on a nationwide basis.

Whatever the problems of gaining a comprehensive overview might be, however, interest from international investors led by the British and Dutch is nevertheless high and they do not appear to have been deterred by the well-publicised difficulties that have overtaken the West German economy in the last two years.

Indeed the principal office and retail property markets are showing "signs of robust health" in the words of a recent report by Jones Lang Wootton (JLW), the UK international property consultancy group, which has offices in Frankfurt, Hamburg and Düsseldorf. It expects rental growth to continue for prime offices and prime retail property in spite of the short-term economic problems.

The chief reason for such optimism is the looming shortage of prime office accommodation in the major conurbations, which means that there is a dwindling supply available to meet a continuing strong demand. The amount of office space coming on to the market in the major city centres is seriously limited by the lack of development undertaken since the mid-1970s. In the central areas of Frankfurt, Düsseldorf, Hamburg, Munich and Stuttgart, the most important commercial property centres, there are few office buildings under construction.

According to Mr Robert Campbell, a senior partner of JLW in Frankfurt, "even if demand falls slightly in 1981, rental values are likely to continue to increase in these areas, given a limited and diminishing supply."

The most important office property centre is Frankfurt, where there is estimated to be an office stock of more than 4m sq metres, perhaps twice the size of the amount in the second most important centre, Düsseldorf. In cities such as Hamburg much of the property development has been undertaken by owner occupiers, but the Frankfurt area—including the two decentralised office suburbs in Niederrad and Eschborn—has seen a much higher degree of speculative development.

The state of the Frankfurt property market has clearly been shaped by events in the early 1970s. In that period a great number of speculative buildings were constructed, far in excess of market demand. The over-supply was then exaggerated, however, by the economic recession which followed the 1973-74 oil crisis. By 1977 there was a surplus of around 516,000 sq metres of unlet office accommodation and inevitably under this pressure rents declined sharply.

Whereas modern air-conditioned office accommodation in prime locations had been attracting rents of up to DM 30 per sq metre in Frankfurt in 1973-74, rents had tumbled to only DM 20-DM 24 per month by 1976-77 for corresponding properties.

The steady recovery of the commercial property market in the city and surrounding areas in the last three years has served to boost rents back to the early 1970s levels and in many cases they have moved well ahead. The latest estimates from the Ring Deutscher Makler (the German Estate Agents Association) place Frankfurt office rents within the broad band of DM 20-DM 33 per sq metre, well ahead of the rental levels in other major German cities.

Increasing rental levels in the city centres are also bringing up rents in the decentralised office suburbs of the big cities. Large companies that had no pressing need to be located in prestige city centres have already found these sites an attractive way of avoiding the highest land values. They have also offered some of the few sites available for large-scale development. On the Kennedy Damm in Düsseldorf JLW suggests that rental levels have reached up to DM 22 per square metre; similar rentals are also being taken in Niederrad/Eschborn around Frankfurt and in Hamburg's City Nord. The amount of office space taken up in such areas is likely to accelerate further as new office developments are squeezed out of the city centres.

The general favourable market trends of the last two to development is again becoming attractive in West Germany and a number of new schemes should get under way this year. The often wild property speculation of the early 1970s has led to far tighter planning controls in city centres, however, and the number of prime sites that are still available for development are at a premium.

According to JLW an acute shortage of office accommodation could develop within the two years in prime locations. No substantial new speculative schemes are likely to come on to the market in the traditional banking and West End central areas of Frankfurt, for instance, where no more than 25,000 sq metres of new office space is likely to be completed. The surplus of 516,000 sq metres of office space hanging over the market in 1977 had been reduced to only 185,000 by last year. With the annual take-up of new accommodation approaching 150,000 sq metres in the past two years, the growing squeeze on the market is obvious.

Interesting opportunities exist for investors outside the office sector, particularly with the growing competition for the best retail locations in city centres. The widespread development of pedestrianised areas in many German cities in recent years means that many town and city shopping areas have had their values enhanced, with good locations able to demand corresponding increases in rentals.

The supply of first-class department store locations in German cities is probably almost exhausted, and the big stores groups, such as Karstadt, Kaufhof, Hertie and Horten, have clearly come up against the limits of expansion in these areas. But opportunities still exist in smaller cities and towns, and local and regional retail groups are still keen to expand in such locations.

The retail sector has performed more steadily than many other areas of the German property market over the last 10 years, with rents increasing by around 10 per cent a year over the period. The market shows some flattening of rental levels according to the German Estate Agents Association, although privately financed flat developments are still demanding rents up to 17 per cent above last year's levels. In 1980 such rental levels rose by no less than 25 per cent. By contrast the inflation in rental levels for old flats, particularly those in secondary locations, was kept in many cases to below 4 per cent last year.

The historically high interest rates prevailing in West Germany are also making the financing of private house purchase or construction extremely expensive, which has resulted in price increases for detached properties under the rate of inflation in the past year.

For investors in the general commercial property market yields fell slightly last year, but they still compare well with those avaiable in other parts of Western Europe. The major problem is perhaps the shortage of prime investment opportunities.

According to JLW demand from local and international investors has remained high. "In the face of a limited supply of prime investments, investors are increasingly showing a willingness to acquire properties of a marginally lower quality. This attitude is no doubt influenced by the general perspective of continuing strong letting market." Yields for prime office investments are put at 5.25-5.75 per cent, for prime retail premises at 5-5.25 per cent and for first class warehousing at 7.25-8 per cent.

Britain leads in sharp revival of inflows

DIRECT INVESTMENT
KEVIN DONE

THE DISCOVERY that mass redundancies are not in keeping with the principles of the Islamic revolution must have come as a surprising stroke of serendipity for the workers of Krupp's steel-making subsidiary fighting attempts by the management to cut around 5,000 jobs by the end of 1982.

Both Krupp's steel-making arm and the main holding company are owned 25 per cent by the state of Iran, giving their representatives on the supervisory boards an important veto power in strategic decisions affecting the concern's future, and, in this particular case, opening the way to an unusual alliance between workers' representatives on the board and a part at least of the shareholders.

The controversy at Krupp over job cuts is an exotic example of the way foreign investors can bring an unexpected influence to bear on affairs in German companies, but it is also a reminder of the considerable capital that has been invested directly in the Federal Republic from abroad in the post-war years.

Significantly

In contrast to the 1950s and 1960s the West Germans, since the early 1970s, have themselves been pumping much more finance into direct investment abroad than foreigners have been channelling into the Federal Republic. But after a particularly sharp decline in foreign interest in direct investment in West Germany in 1979, the amount of money flowing into the country in this way picked up significantly last year, accompanied by a clear rise in the number of companies setting up operations for the first time in the Federal Republic.

The level of West German direct investment abroad has advanced from around DM 5bn a year in the mid-1970s to DM 8.2bn last year. By contrast the amount invested in West Germany by foreigners has been falling back steadily from DM 3-4bn a year in the early 1970s to DM 2.4bn last year. In 1979, however, the level of investment in the Federal Republic hit its lowest level for more than 10 years, so last year's performance brought welcome evidence that the attraction of the Federal Republic as a location for foreign business investment was not in irreversible decline.

Since the end of 1961 foreign investors have put a cumulative total of some DM 57.6bn into enterprises in West Germany; of this the U.S. alone with DM 20.3bn accounts for more than a third. As a source of investment capital in West Germany it has no close rivals, being followed by Switzerland with DM 8.6bn, the Netherlands with DM 7.2bn and the UK with DM 6.7bn.

British interest in direct investment in the Federal Republic was particularly strong last year and at DM 909m accounted for some 37 per cent of the total, far ahead of the Netherlands with DM 574m and France (DM 175m) the U.S. (DM 172m) and Japan (DM 155m).

Two of the close neighbours, the Netherlands and the UK, also provided the biggest single contributions to the formation of new foreign companies in West Germany last year with 103 coming from the Netherlands and 65 from Britain out of a total of 527—the second largest number of new foreign companies setting up business in a single year for more than ten years.

The industrial sector has proved the most favoured target for direct foreign investment, having attracted DM 40.8bn of the DM 57.6bn spent since the end of 1961.

Alongside industrial investment foreign countries have also directed considerable funds towards the services sector in West Germany, with a total cumulative investment since 1961 of DM 16.5bn. Of this some DM 5.8bn has gone into banking and insurance.

Despite the existence of a co-ordinated regional development programme in West Germany aimed at attracting industrial investment to the less prosperous areas of the country, foreign investment has continued to flow stubbornly to the successful established conurbations, concentrating around the major cities of Düsseldorf, Munich, Hamburg, Frankfurt and Stuttgart.

The most populous federal state, North Rhine Westphalia, has a clear lead over other states, having taken some 28.2 per cent of foreign investment since 1961. The main targets in the state have been Düsseldorf and Cologne, however, which shows that foreign investment has done little to help to relieve the structural problems afflicting the traditional heavy industry regions of North Rhine Westphalia around the Ruhr.

In relation to their shares of the Gross National Product (GNP) the states of Hamburg and Hesse have been the most successful at attracting foreign direct investment. Hamburg has proved a particular magnet as the country's main sea-port; it has been the main centre for British insurance groups and has also proved popular with the Scandinavian countries lying directly to the north.

After North Rhine Westphalia comes Baden-Württemberg, with 17.5 per cent of foreign investment in the past 20 years, followed by Hesse with 17 per cent — Frankfurt and the surrounding Rhine-Main area in Hesse has been particularly popular with U.S. companies — and Hamburg with 15.7 per cent.

Weighed

Throughout the 1970s a number of factors have certainly been working against greater foreign investment in West Germany which have no doubt weighed heavily in boardroom decisions on whether to locate a particular investment in West Germany or in another part of the world.

The Federal Republic is saddled with some of the highest labour costs among industrial countries; it lacks a wide range of investment incentive schemes; it imposes an above-average tax burden; has an increasingly complex range of environmental protection regulations; and a shortage of skilled workers in certain key growth sectors. Moreover, and during the 1970s a steadily appreciating currency was irresistibly pushing up the cost of funds for investors from abroad.

The weakness of the D-mark over the last year—since the end of 1979 it has lost 28.6 per cent of its value against the U.S. dollar and since the end of 1980 alone the loss has been 19.2 per cent—has certainly made dollar-funded investment in Germany cheaper for the moment, but at a level of around DM 2.40 to the dollar the West German currency still has a long way to fall before it approaches the 1971 parity of DM 3.50 or the 1961 level of DM 4.20—years when U.S. concerns in particular were investing heavily in West Germany.

Painful experience for investors for most of year

STOCK MARKETS

STEWART FLEMING

INVESTING IN West Germany during most of the past year has been a painful experience for anybody buying ordinary shares or quoted bonds. Only in the past two months has there been much sign of light at the end of what has been a very long tunnel. Even then until two weeks ago the glimmer of hope has brought some light mainly to the equity market. Previously the bond market had managed to plumb fresh depths of despair, to the point where Bundesbank President Karl Otto Pöhl was moved at the beginning of June to warn of a crisis of confidence in the markets.

The bond markets have without question been the biggest disaster area. Indeed the slump there has surpassed anything in the Federal Republic's post-war history. Traders say that holders of bonds had reached the point of no longer bothering to sell them. They are simply gritting their teeth, holding on and hoping that things will improve. The banks of course must be hoping that the market will turn sharply before the end of the year, otherwise they will be faced with the prospect of further big write-offs on their bond portfolios.

Perhaps the best indication of just how demoralised investors had become emerged at the end of May when the Federal Railways, which along with the Federal Government and the Post Office is the market's top quality issuer, caused a sensation by withdrawing a five-year 11 per cent note issue because the offers it received were unacceptable and inadequate. Dealers could not remember such a flop in the Federal Republic's history.

There are several factors which help to account for the gloom. One quite simply is the scale of the losses which have been run up. Just a year ago yields on domestic public bonds sank below 8 per cent amid hopes that an easing in Bundesbank monetary policy was signalling an emerging bull market.

By October, however, as the D-Mark came under pressure on the foreign exchanges a growing awareness of the implications of Germany's weak external payments position for the domestic money markets began to spread. Hopes of a steady decline in interest rates and an easing of inflationary pressures disappeared and long-term yields began to climb. At the turn of the year top quality bonds were yielding just over nine per cent. Since then the markets have seen an accelerating slide. By May bond yields had reached unparalleled post-war peaks of around 11½ per cent for maturities up to six years, surpassing the 10¼ per cent level record in 1974.

Deterioration

The continued deterioration this year in West Germany's external position—in the first quarter the current account deficit was worse even than in the fourth quarter of 1980—and the aggressive moves the Bundesbank took on February 19 to drive short-term rates 3 percentage points higher with the establishment of the "special Lombard" rate at 12 per cent, had an immediate impact on the bond market, sending yields at the beginning of March through 10 per cent.

The rally that followed was modest and brief. Growing evidence of the Federal Government's failure to control public spending, the realisation that the public budget deficit was likely to rise at least DM 10bn to around DM 70bn this year, and the implications of this for the markets — gross public borrowing will be well over DM 100bn this year, simply tore away the supports from the market.

Simultaneously of course U.S. interest rates began a renewed surge, hauling the dollar to higher levels against European currencies and to a four and a half year high against the D-Mark of DM 2.4255 at the Frankfurt fixing on June 5.

The upward spiral in rates has also been accompanied by marked shifts in investor and borrower preferences which have skewed the yield structure and resulted in even sharper rate increases for maturities in the one- to four-year range. Thus while rates on securities were also around the 9 per cent level at the beginning of 1981, by mid-year yields had risen to between 12 and 14 per cent.

The concentration of pressure at the shorter end of the market reflects in part the reluctance of borrowers to commit themselves to long-term funding at what are by historical standards peak rates and equally to the reluctance of investors who have already suffered heavy losses to commit themselves long term. The result however is that the weight of short term expensive funds in borrowers balance sheets is increasing. Investors of course, providing they have timed purchases well have at least had the comfort of knowing that yields have been running well ahead of inflation.

This aspect of the development of the bond market was of little comfort to the foreign investor, however, who was faced rather with the currency risk of a weakening mark. The Bundesbank points out for example that whereas historically foreigners had in the two previous years purchased around four-fifths of the issue volume of foreign D-Mark bonds, interest waned last year and they took up less than half the issue volume. This increased funding of foreign issues by domestic sources adds to the balance of payments problem of the Federal Republic because of the increased outflow of funds and led to the "gentleman's agreement" under which issuing banks refrained from new issues between December 1980 and February 1981.

The Bundesbank also points out that foreigners purchases of domestic securities were also low. The limited foreign interest in D-Mark securities at a time when the Federal Government was financing its budget deficit heavily in international markets added to the upward pressure on rates.

Interest rates and the factors which drove them higher, coupled with the evidence of a slowing in the economy, narrowing corporate profit margins and pressure on earnings have kept share prices under pressure during much of the past year too. After falling 11.57 per cent during 1979 to close at 227.27 the Frankfurter Allgemeine Zeitung (FAZ) share index plunged in the closing days of March 1980 to 212.73, its lowest point since March 1977. A recovery later in the year which took the index to 238.89 petered out and the index closed the year 2.9 per cent down at 220.27.

Within this overall performance the big chemical companies —which have ceased to be regarded as growth issues—iron and steel groups and retail stores all declined more sharply than average, while building and insurance stocks were relatively strong. In the opening months of this year the link between interest rates and equities remained and as rates rose the FAZ index slumped further to 215.75. Then began a recovery, however, amid speculation that foreign investors, particularly from Opec countries, were buying German stocks and the FAZ index rose to a year's high of 235.99 on June 11.

Attributed

In the markets themselves the rise in equity values and the evident "uncoupling" of the performance of the equity market from the deteriorating trend in the bond market during the first six months of this year was attributed in part to signs that the economic recession was bottoming out. Hopes that an improving flow of foreign orders reflected the first fruits of the benefits to German competitiveness of the declining value of the D-Mark and the fact that the annual wage round seemed to have concluded with a 5 per cent wage rise—ie, in line with or slightly below the expected inflation rate for the year—also helped the equity market.

Overall, however, the German market has performed much worse than markets in a number of other countries over the past two and a half years. It has demonstrated too a much increased selectivity, with strength of demand this concentrated in a few market sectors, including some of those, such as steel, which have been particularly depressed or those like construction which have been performing well because of strong foreign earnings and orders. As one investment banker remarked gloomily, this selectivity tends to reflect the feeling that the German economy overall has ceased for the time being to be a growth economy.

GERMAN EQUITY MARKET

1—Market indices

	End-1979	End-1980	Per cent change	June 12 1981	Per cent change 1981
Commerzbank	715.70	683.60	− 4.5	732.40	+ 7.1
FAZ	227.27	220.62	− 2.9	237.80	+ 7.8
2—Sector indices (source: Borsenzeitung)					
Big chemicals	89.50	79.50	−11.2	94.10	+18.0
Other chemicals	84.70	92.70	+ 9.4	100.80	+ 8.7
Electricals	84.10	85.10	+ 1.2	81.00	− 4.8
Utilities	130.30	117.80	− 9.6	119.90	+ 1.7
Iron and steel	69.40	52.40	−24.5	60.60	+15.6
Machinery	96.60	91.20	− 5.6	104.50	+14.6
Motors	92.70	91.20	− 1.6	109.70	+20.1
Building	112.30	131.90	+17.5	171.10	+29.7
Department stores	62.30	55.20	−11.4	56.80	+ 2.9
Banks	82.80	80.00	− 3.4	77.60	− 3.0
Insurance	126.40	140.40	+11.1	142.20	+ 1.2
Consumer goods	78.00	70.40	− 9.7	77.80	+10.5

Awareness of scope proves slow to dawn

RETAIL BANKING

ELGIN SCHROEDER

"AFTER THIS, German bankers at a senior level will have to take retail banking seriously," said Dr Bokart van Hooven, the retail banking supremo of Deutsche Bank, West Germany's biggest commercial bank. Dr van Hooven was referring to the surprising developments surrounding the about-to-be-launched Euro-travellers' cheque—the travellers' cheque designed to secure Europeans a slice of this lucrative payments systems growth market—and Eurocard, the rival to the American plastic moguls.

What he implied was that the German banking industry is still to a great extent focused on wholesale banking. Few executives seem to realise that the international retail banking market presents considerable opportunity in coming years.

It was Dr van Hooven who was largely instrumental in bringing about a new range of European co-operative paper-based payments services in the late 1960s and early 1970s. The Eurocheque Guarantee Card provided customers with the ability to cash cheques all across Europe. It was followed by the Eurocard—a travel and entertainment card to compete with American Express and Diners' Club. Eurocard's American partner became Mastercard, the American mass credit card organisation.

These two payments instruments were to be rounded off this year by a European travellers' cheque to be created by a consortium of European banks (which includes all German banks with the exception of the savings banks), known as ETCI, and Mastercard. ETCI also agreed to purchase Midland Bank's Thomas Cook travellers' cheque business.

But the Eurocard/Mastercard association has been troubled from the start. Essentially, lack of reciprocity on the part of the American organisation has been at the heart of the matter. Eurocard Deutschland has been most affected by this, since the Federal Republic (contrary to other European nations) is a tourist exporting country with little to show on the tourist import side. The 170,000 German cardholders (of a total 600,000 in the whole of Europe) use their plastic money primarily when travelling abroad. This is attributable to lack of a tradition of credit cards in the Old World.

At home the Germans are happily underwriting the Eurocheque service. The few and far apart Americans touring Germany, however, often even use some of their many other credit facilities to pay their bills, despite being Mastercard holders.

The German savings banks were the first to give warning last autumn that they were not prepared to sustain indeterminate losses in the Eurocard sector. They also decided not to subscribe to the Euro/Mastercard travellers cheque venture which was announced last March. Instead, they formed an alliance with American Express in the travellers cheque market.

Threatened

The problems came to a head when two of the German giant commercial banks and one Bavarian credit institute threatened the other day to pull out of the Eurocard system. It seems that this was prevented, but major changes are to be made. Eurocard will probably soon develop a second card aiming at the middle market, which is supposed to keep at bay the danger of Visa, the huge aggressive non-banking contender for mass consumer payments business currently trying to establish itself in West Germany. ETCI is likely to break the Mastercard tie and reunite with the savings banks in linking up with American Express in the travellers cheque sector. If this happens the deal with Midland Bank on the acquisition of Thomas Cook will possibly be off.

This likely outcome of the battle of American plastic card organisations in West Germany may have its origin, at least to some degree, in German retail bankers' wish for co-operation in payments systems. They seem to want to continue issuing the Eurocard as their sole plastic payment card and will thus decide to make it more attractive to a wider clientele. "We want to have uniformity in travellers cheques," a Commerzbank source said recently. And — disputes with Mastercard aside — the banking industry seems inclined to give in to the powerful savings banks (which have a dominant market share in retail banking in Germany rather than risk strong market segmentation.

This desire for co-operation is especially pronounced in the area of highly expensive retail banking equipment. All three German banking groups — the commercial banks, the savings banks and the co-operative banks — have just signed an agreement to use the Eurocheque guarantee card as the basis for a proposed nationwide point of sale (POS) system under which terminals will link retail stores and other outlets to bank branches. These terminals will almost certainly be installed in the latter part of 1980 and will be used by the customers of all banks.

The agreement followed a similar accord two years earlier that the same card would be used in the banks' eventual automated teller machine (ATM) network throughout the country. To avoid duplication of machinery customers of say, Deutsche Bank, Bonn Sparkasse and Bayernhypobank will be able to use their ATM-equipped cards to withdraw cash from or transfer funds to at the same dispenser.

So far, however, the Federal Republic is an underdeveloped country as far as ATMSs are concerned, according to a recent report of the Aachen-based Kreissparkasse, the regional savings institute, only about 250 ATMS are presently operating in the whole of West Germany. This, it says, represents only 1 per 160,000 bank customers.

Some banks think that compared with other countries, especially the U.S., German demand for automated services around the clock may be smaller. These banks maintain that in Germany cash is not only made available by credit institutes but also — outside banking hours—by post offices and at supermarkets and shops under the Eurocheque card system.

They also hold that Germans got used to "their friendly banker" around the corner who, under their universal banking system, counsels them on all their financial arrangements (mortgage, personal credit, stocks and shares, payments systems, etc.) at virtually all types of credit institutions.

Yet the appalling expense of running one branch for every 1,400 inhabitants of the country and the sheer volume of money transactions generated by a nearly fully banked adult population is imposing automation willy nilly. Transactions have nearly trebled since 1970; they have gone up 20 times since 1960. The German credit industry's total annual expenditure on transactions is now roughly DM 9bn of the total; only about DM 3bn is covered by charges. This means that yearly losses amount to DM 68bn.

The banks argue that while the central computers introduced in the 1970s considerably eased work, attempts at rationalisation have not been able to keep up with exploding costs, especially in the personnel sector. They were thus forced, as they explain to increase their checking account running charges drastically, as well as charges for standing orders, transfers, deposit deductions, etc. Dresdner Bank was the first last year (four months before the other banks followed suit) to raise charges for personal services to be more in line with its full costs.

Rationalisation

Realisation is dawning, however, among representatives of all banking groups that under the present system rationalisation has a limit. Herr Adolf-Friedrich Jacob, who administers charges at Dresdner, says: "Cost management must, therefore, mean one has to think about structural changes, about new production methods. First steps in this direction have already been taken through introduction of terminals, of cash dispensers, through cable television and viewdata." German bankers are watching with great interest two Viewdata pilot projects underway in Berlin and Dusseldorf in which the credit industry is participating.

The savings institutes which took the lead in installing ATMS are dedicated to automation. By the end of this year the Stuttgart-based Landesgirokasse, for instance, will have 30 banking machines. Herr Helmut Geiger, head of the Federation of German Savings and Giro Banks, rates banking self-service as the central issue of the 1980s.

Some regional banks have also recognised the signs of a new era. Bayerische Vereinbank is already into its second generation of equipment and has some 15 automatic cashiers operating.

The co-operatives, for their part, are also putting their trust in the future of electronic banking. Although they were not fore-runners in automation, they are thinking far ahead. Dr. Paul Zellborn, member of the board of Westdeutsche Genossenschafts Zentralbank, maps out the not too distant day, judging by the two current Viewdata trials, when any customer can make all his transactions sitting in his armchair by using his central computer and bank-linked specially equipped television set.

The big commercial banks, however, seem to prefer a middle-of-the-road course. They know that they cannot or should not bar their doors to modern technology, if they want to cut costs. In fact Dresdner is about to implement a three-tier branch network consisting of automated bank lobbies, quick service stations with ATMS and one separate bank counter and service stations offering the full range of banking facilities. But as Herr Christian Seidel, board member of Dresdner, puts it: "We will keep the individual the central point of our market strategy." He adds that customer and bank should continue to have human contact.

Michael Cassell reports that the Government is set to take punitive action against authorities which delay council house sales

Pressing on with the 'sale of the century'

OVER 250,000 British council tenants have now lined up to buy their homes and the Government is stepping up its fight to prevent Labour-controlled local authorities trying to stem the tide of potential sales.

Ministers now appear more determined than ever to deal firmly with any housing authority which tries to prevent tenants from buying their homes. Their right to do so is enshrined in the Housing Act 1980.

The quarter of a million applications to buy were all lodged between October 1980 and March this year so, after a somewhat shaky start, the Governments now appears to be well pleased with the progress of a central part of its housing policy.

But there is evidence that large numbers of tenants are still being deliberately frustrated in their attempts to take advantage of their legal rights and Ministers look set to take punitive action against what they see as the most blatant ring-leaders in a political conspiracy to ruin the so-called "sale of the century."

Six housing authorities — Barking and Dagenham, Greenwich, Newham, Sheffield, Stoke-on-Trent and Wolverhampton—were earlier this year given a May deadline to satisfy the Department of the Environment that they were co-operating with tenants wishing to buy their homes. The next step could be for the Government to step in and sell houses owned by the "offending" councils over their heads.

Another twelve local authorities have been asked to explain why they have not sold more houses, with the clear threat that they might also face the threat of enforced sales.

Altogether 39 local authorities have so far come in for scrutiny by central government. Only one — Camden in London — has managed to get itself removed from the DoE list, by promising to pursue an active sales programme.

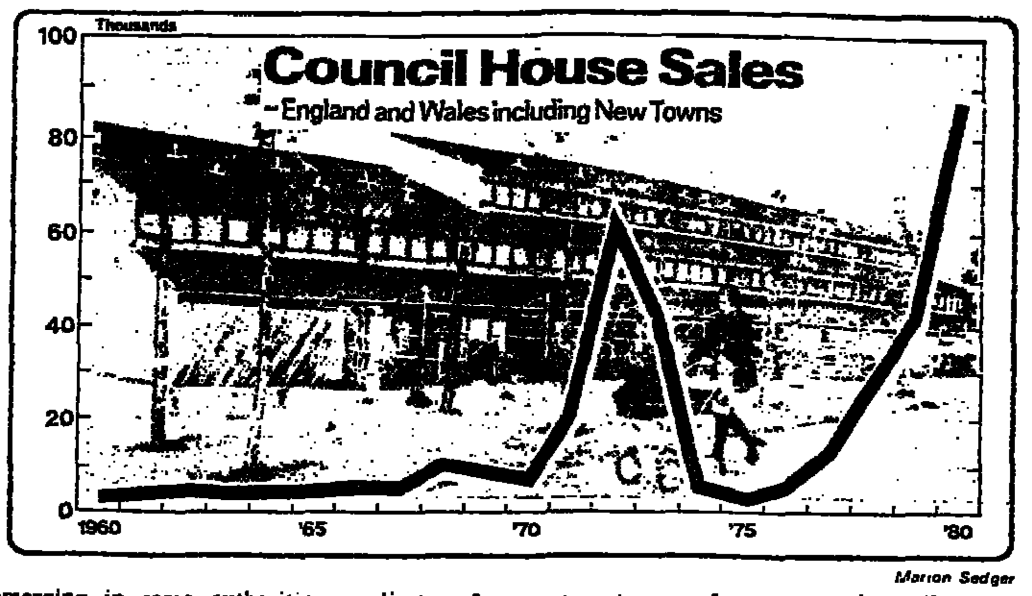
The Government's determined stance comes at a time when critics of the sales programme, regarded by the Conservatives as a certain vote winner at the 1979 general election, claim that it is failing miserably.

Ministers can now point to figures suggesting that around 400,000 tenants have, in two years of Conservative Government, either bought or applied to buy their council homes under voluntary or "right to buy" procedures. But their opponents heap scorn on the rate of progress and blame the policy for heightening the housing crisis. Many doubt whether anything but a very small proportion of initial applications will result in firm sales.

The Labour housing authorities' open contempt for the spirit of the legislation and their determination, while remaining within the law, to remain totally unco-operative, is mirrored in official Labour Party policy. The Opposition is committed to removing the tenants' legal right to buy.

Mr. Michael Heseltine, Secretary for the Environment, and Mr. John Stanley, his housing Minister, meanwhile, are in no mood for compromise. They describe the "right to buy" provisions as the single biggest post-war leap forward towards a property-owning democracy and intend to ensure it takes place with, or without, the support of the local housing authorities.

In a recent speech, Mr Stanley reminded councils that they had no option but to sell to those eligible tenants who wished to buy and he went so far as to say that the pattern



Marion Sedger

emerging in some authorities was one of obstruction "and even intimidation" of tenants trying to exercise their legal rights.

He has accused Sheffield, for example, of "bully boy tactics" by sending letters to applicants pointing out that, having bought their home, they might be left with a property they could not sell, because neither building societies nor the local council might allocate funds. Sheffield council, which last week put its case to the DoE, is unrepentant and has blamed delays in processing applications on "internal problems."

In Greenwich, east London, the council is violently opposed to sales and last November voted not to implement the relevant legislation, a decision later rescinded on legal advice. The Council now says it is surprised to find itself on the Ministers' blacklist as it is now processing right to buy applications.

In Lambeth, nearly 200 application forms were at one stage impounded by members of NALGO, the local government workers' union, it has said that it will support members who refuse to implement sales policy if they feel there is insufficient staff to do the job. Lambeth has agreed to comply with the Act but says the work must be done by existing staff.

But nowhere is the conflict over sales more pointed than in the case of the Greater London Council, now controlled by the Labour Party.

In four years of Conservative rule, the GLC sold about 18,000 of its properties but the new Labour administration has placed a temporary ban on the sale of empty homes and left hundreds of potential purchasers out on a limb. Some were within days of completing purchase. Others, who have bought their homes, now fear the value of their properties will plunge because estates destined to move into the hands of owner-occupiers will remain at least partially in the public rented sector.

It is also clear that, although GLC leaders may not go so far openly to defy the law, they will exploit every available measure to reduce sales to tenants to an absolute minimum. To the annoyance of the new leaders of County Hall, however, they only retain direct control over about 54,000 properties, following the Conservative-inspired transfer of nearly 200,000 GLC homes to the London boroughs.

The remaining properties too are due to be passed on next year to the relevant local authorities but the GLC is intent upon fighting a rearguard action to keep them within its control. At the same time, it is likely to call on London's Labour-controlled housing authorities fully to endorse its anti-sales policy.

In fact, despite the claims and counter-claims, it is still too early to judge the success of the programme.

In the first two years of the Government, completed council house sales reached 140,000. During calendar year 1980, sales —boosted by an increase in available discounts — amounted to a record 87,311 against 42,473 in the previous year. The Government has set a sales target of 120,000 for the present financial year. Ministers also claim that over 250,000 purchase applications were received by local authorities in the first six months of the right to buy legislation.

But these were almost entirely sales arranged on a voluntary basis since the Tories came to power in May, 1979. The only statistics on sales under the right to buy legislation were recently announced in the House of Commons. They show just 49 houses were sold to tenants in the first three months. This has been seized upon by the opposition as evidence that the number of bargain hunters attracted by the Government's sale was "pitifully low." Figures for the first six-month period are due shortly.

Mr. Gerald Kaufman, opposition spokesman on the environment, who portrays the sales as a looting of community assets and describes the Government's threats to individual authorities as "vicious and discriminatory," admits it is too early to make a definitive judgment. But he says he is astonished at what he sees as a remarkably low level of tenant response.

"The number of people showing even an initial interest in the prospect of buying is only one quarter of the level I was expecting. There are 5.3m council homes and applications amount to a tiny percentage of that figure. About 1.6 per cent have actually established the right to buy," he says.

MICHAEL HESELTINE
No mood for compromise

Mr Kaufman expects another upsurge in inquiries when council rents rise agin later this year but he claims existing evidence suggests that while many millions of people may wish to become home owners they do not wish to buy a council house.

The Labour Party, he says, remains strongly committed to the concept of home ownership but is determined, given power, to restore the role of the public housing sector and devote enormous resources to reviving building output.

"We do not, like the Tories, believe that to own your home is virtuous and that to rent is to scrounge. There is no special merit in either tenure. When we are re-elected, we will repeal the compulsory sale provisions of the Housing Act 1980 and bring in a perpetual pre-emption clause which will compel the owner, at the time of the first resale, to offer the property back to the local authority. We would not permit such enormous discounts and would prevent the situation in which the tenant of a nice house and garden can, after one day's occupation, apply to buy if he has spent the rest of the pre-qualification period in a tenement elsewhere."

Mr Kaufman says the next Labour government would, like previous ones, permit sales by local authorities who wished to sell and that in order to maintain the growth of owner occupation, Labour is formulating a plan to boost incentives for home buyers.

Mr Kaufman, like the party, supports any local authority which delays sales within the law.

Mr Stanley responds that such tactics only underline the resolve of tenants to buy and claims that their new rights have led to a rush of applications in traditional Labour areas where purchase has never before been possible.

"We believe the sale of council houses is proving to be one of the Government's success stories. We know some tenants cannot and will never want to buy but we believe people should have the choice. The initial response has matched our expectations and many people are still waiting to complete the three-year qualification period.

"If Labour councils think they can spin out the right to buy until the end of this Parliament, then they are sadly misguided. The right to buy has been running for nine months and councils have had long enough to organise themselves properly. As far as we are concerned, their time is running out."

Letters to the Editor

Nationalised investment

From the chairman of the National Coal Board.

Sir,—I would like to support what Lord Caldecote wrote about investment in public enterprises (June 16). He has done much to help in removing some of the misconceptions.

What he said about the currently fashionable "crowding out" theory is particularly worthy of note. It is indeed difficult to see how investment in a viable public enterprise project can do other than provide increased opportunities for the private sector. Investment in a large new coal mining venture, for example, would undoubtedly generate investment by the construction and engineering enterprises who successfully tender for the job.

Only at times of high economic activity, full employment and scarcity of resources could investment in public enterprise be regarded in any way as "crowding out" the private sector. At times such as the present it has the reverse effect.

Derek Ezra.
National Coal Board,
Hobart House,
Grosvenor Place, SW1.

The Thatcher legacy

From Mr Frank Whitehouse

Sir,—Mrs Thatcher is still seemingly sticking to her belief that the voters at the next election will flock in greater numbers to the Tory camp for lower inflation, lower taxes and lower public spending than they will for lower unemployment.

The "wets" in the Cabinet would have her hedge her bets in case she can't collect that winning hand for the next election, and show a little more public sensitivity to the poverty and bleakness of life on the dole. It would cost little and could bring in a lot.

They fear that her impassioned pursuit of honest money and a rejuvenated industrial base to our economy could become so impersonal as to put Britain back on its feet at the expense of the Tories' electoral chances.

But Mrs Thatcher is not that daft. She has no wish to be a one-term woman Prime Minister, elevated from the roundabout of politics by a fluke and steered or forced from her eminence at the first official point of exit. She wants that second trip.

What's more she has a thousand reasons for thinking her chances good. The official Labour opposition is in complete disarray and devoid of credibility even on the shop-floor. The Social Democratic Party she can dismiss as the short-lived froth of socialist intellectual dissent.

But she won't win just on her opponents' shortcomings. She will win because she is picking up the messages that come from below about what wants doing to put us back on the right track. Call it pragmatism if you like, but ordinary people don't quiver as they once did about the very mention of unemployment. They are as interested, or more so, in what's in life for the rest of them. And on this Maggie is making all the right sort of noises. At bottom they are as flinty-hearted about what matters most as she is. No wonder she claims to be able to read the underlying mood.

True there could be a great switch back to being tender-hearted liberals with a social conscience about unemployment and a readiness to lay on the good works at public expense. But at the moment it's yesterday's thing. A lost job has become a misfortune rather than a calamity. That tempers the outcry. Everybody knows it's not the Thirties.

Sure in this socialist enclave of South Yorkshire her name is publicly mud. But in the privacy of their homes it's surprising how many see her as a "battle-axe" they can admire, and in her aims to put the country back on sound lines liken her to some relative or other who once worked wonders in making their families successful and prosperous even in bad times. There's more than a chance that Maggie will become a legend even in her lifetime and among her erstwhile enemies. Which should make the dithering "wets" "hush their mouths" when they stop to think.

Frank Whitehouse.
135 Ecclesfield Road,
Chapeltown,
Sheffield.

Compromise at Lloyd's

From Mr. Leonard Black.

Sir,—It has become apparent from the recent informative articles of Mr. John Moore, that there are serious differences between Lloyds and Parliament relating to the two issues of divestment; of brokers controlling underwriting agencies and preclusion of Managing Agents acting as Members' Agents.

Would it not, therefore, be the time and place to bring about the classic British compromise, where the Lloyds Bill would be accepted by Parliament with the exclusion of the two divestment clauses and Lloyds allowing Parliament to amend the present Insurance Companies Act by the following restrictions.

It should become an offence for any brokering company to place an assured risk into any syndicate, insurance company, underwriting agency line slip/binder, where the said brokering company or any associated companies have common shareholdings, directors, management or any other pecuniary interest.

The Act should restrict any brokering company or associated company from reinsuring any business that it had already placed on behalf of its clients, the assured. It would restrict Managing Agents from receiving consideration from more than one party in respect of similar services carried out.

The inclusion of this into the Insurance Companies Act would bring under control those brokers, Lloyds and otherwise, who have their own underwriting agencies, insurance companies etc. This would effectively curb one of the anomalies of the London Insurance market of dual representation created by acting for the assured and the underwriter at the same time.

The method of regulating would be simple, as Lloyds and the various company markets each have their own processing systems and all that would be required would be a programme to match identifying numbers of the parties concerned.

The object of these recommendations is threefold. To allow the broker barons and others to retain control of their agencies, as any other method would be hopelessly lost within a morass of technical, accounting and legal difficulties which would continue long after divestment had taken place. Secondly to allow brokers to rediscover the lost art of brokering and an opportunity to create new brokering companies where individuals can work to the benefit of the market as a whole. Thirdly to allow underwriters throughout the market a greater choice without the burden of unfair reciprocity.

The present conditions within the London Insurance market, where there is now an excess capacity of insurance, would permit these regulations to be carried out without too much disruption to the market and effectively be put into operation far sooner than the recommended five year divestment.

It would be interesting to know what objections there will be to this proposed compromise.

Leonard Black.
Managing Director,
Scott Hayes Associates.
8 Burges Terrace,
Thorpe Bay, Essex

Poor little dicky bird

From: Mr Peter H. Troy

Sir,—Dr Scotney may possibly find the explanation for the poor little dicky-bird's apparently peculiar behaviour in the following old Russian fable:

One winter's day, a priest walking through the forest found a poor little dicky-bird frozen stiff. So he picked it up, hoping that cupped in his hands, it would revive. Alas, no such luck — but then he espied a newly-deposited cow-pat. Ah, he thought, perhaps that would do the trick? So he carefully deposited the poor little dicky-bird therein, and went on his way.

Sure enough, after a while, he did revive. Stretched his legs, wings and indeed started singing. Only to be heard by a passing fox, who promptly devoured him.

Now, this story has three morals. First—those who drop you in it do not always mean to do you harm. Second—those who extract you therefrom do not always have your best interests at heart. Third (and most important)—when you are in it, do not sing about it!

Peter H. Troy.
Victoria House,
Southampton Row, WC1.

From Mr P. W. Thorne

Sir,—With reference to the ornithological extravaganza of the Warden of Glasgow University, isn't it amazing how different the world looks from within the walls (ivory towers?) of a university?

The reason, Dr Scotney, that senior men in industry have stopped "wheezing and groaning" is because they no longer have any breath left to spare for preaching to the unconvertible; indeed most are at their last gasp keeping their heads above water while supporting the biggest proportional level of public expenditure ever experienced in peacetime.

I suppose one's view of the present situation depends upon the point from which you are observing it, but most people would appear to have very little to be chirpy about. MLR is indeed down by five points, but it is still as high as it was when the present Government came to office. The £ has devalued from its grotesquely high level of nine months ago against the dollar, but it is still, give or take a little, 10 per cent above its value at that time against the major European currencies. There has been an opportunity to slim down excessive manning levels, but many now feel close to anorexia nervosa, and the prospect of three million unemployed is not exactly something to sing about. As if that were not enough, taxes have just gone up with precious little prospect of them reducing, inflation is still above the rate of our major competitors and looks as though it may well turn up yet again, and the standard of living of the majority of the people in this country has now started to fall, and if the Bank of England is to be believed is set to fall a great deal further.

In these circumstances, anyone who went in for anything other than whistling in the dark would indeed be a cuckoo.

P. W. Thorne.
17 Fallowfield Drive,
Barton under Needwood,
Burton on Trent, Staffs.

Unexpected fallout

From Mr Jonathan Metliss

Sir,—I have read with interest the various letters printed in your columns and your editorials in connection with the recent Israeli air attack on the Iraqi nuclear power plant near Baghdad.

However, it seems very strange to me that at this stage no positive statement in support of Israel has yet to be uttered by the normally aggressive anti-nuclear lobby in this country. They apparently do not feel it worthwhile congratulating Israel in reducing the prospects of nuclear conflict in the Middle East.

Amongst all the criticism that has fallen upon Israel, that fact surely is to be applauded.

Jonathan Metliss.
Flat 2,
67 Haverstock Hill, NW3

Loan covenants

From Mr Anthony Ashplant.

Sir,—I read with interest your paper's reply to a letter about Deposited/Loan Covenants which appeared on Saturday June 13.

In essence your information was correct, but it may interest you to know that since 1974 the Inland Revenue has no longer required a physical exchange of cheques, if a separate loan account for deposited covenants is kept correctly, which adequately shows the set-off between the annual payment under the covenant and the repayment under the loan.

This "book-keeping" exercise saves the administrative cost and trouble of physically exchanging cheques.

Anthony J. Ashplant.
Assistant Company Secretary,
Craigmyle and Company,
The Grove, Harpenden,
Hertfordshire.

Don't call me I'll call you

From Mr T. W. Major

Sir,—I don't think Sir Denis Rooke's constructive letter of June 19 defending his attitude of strong support for British Gas retailing outlets applies to the City of Cardiff, where the main Gas Showroom in St. Johns Square, is the only retail store in the City, selling household appliances, whose telephone number is "ex Directory."

T. W. Major.
87 Celyn Avenue,
Lakeside, Cardiff

Today's Events

GENERAL

UK: Confederation of Health Service Employees conference opens, Bridlington (to June 26).

Unions at ICL meet to consider industrial action over pay and redundancies, London.

Church Commissioners annual meeting, Lamberth Palace.

International Word Processing Exhibition and Conference opens, Wembley Conference Centre (to July 1).

Institute of Housing conference and exhibition opens, Brighton (to June 26).

Mr Reginald Eyre, Trade Parliamentary Secretary, speaks at National Television Rental Association lunch, Savoy Hotel, WC2.

Mr John MacGregor, Industry Parliamentary Secretary, speaks at International Rubber Study Group reception, Savoy Hotel, WC2.

Transport and General Workers conference continues, Brighton.

Overseas: Mr Peter Walker, Agriculture Minister, speaks on Europe and the Atlantic Alliance to the World Affairs Council, Washington.

Organisation for African Unity begins three-day summit conference, Nairobi.

EEC and India sign five-year commercial and economic co-operation agreement, Brussels.

EEC Foreign Ministers discuss Japanese car imports, and multi-fibre agreement, Luxembourg.

Opening of fifth session of Supreme Soviet, Moscow.

PARLIAMENTARY BUSINESS

House of Commons: Supply day debate on RAF.

House of Lords: New Towns Bill, second reading. Acquisition of Land Bill, second reading. Licensing (Alcohol Education and Research) Bill, committee. Atomic Energy (Misc.) Bill, second reading. Education Bill, second reading. Debate on EEC fruit and vegetable policy.

OFFICIAL STATISTICS

June provisional figures for unemployment and unfilled vacancies. New vehicle registrations.

COMPANY MEETINGS

Bardsey, 24 Portland Place, W, 11.0. A. and C. Black, 34 Bedford Row, WC, 4.30. Brixton Estate, 22 Ely Place, EC, 12.0. English National Inv., 11 Austin Friars, EC, 12.0. Estate Duties Inv. Tst., Skinners' Hall, EC, 12.15. Helene of London, Great Eastern Hotel, EC, 12.0. Joseph Holt, Woodthorpe Hotel, Manchester, 12.0. James Neill, Napier Street, Sheffield, 12.0. Ottoman Bank (Br.), 14 St. Mary Axe, EC, 11.30. Walter Runciman, 52 Leadenhall Street, EC, 12.0. Silentnight, 100 Old Broad Street, EC, 12.0. UDS Group, Churchill Hotel, W, 12.0.

No marked uplift on Courtaulds' UK side

THERE HAS been no marked uplift in trading results of Courtaulds' UK operations to indicate that a real recovery in UK demand is on the way and the evidence of this in order books is inconclusive so far, says Mr. C. A. Hogg, the chairman, in his annual statement.

However, abroad, the year has started well for the group's overseas interests and an increasing and valuable contribution is anticipated from these.

For the year to March 31, 1981 group pre-tax profits dived from £68.1m to £5.1m on lower external sales of £1.71bn (£1.82bn)—as reported May 29. A token dividend of 1p net is being recommended for the year, against a total of 8.562p previously.

A substantial programme of closures of loss-making units was carried out in the year at a cost of more than 20,000 jobs and extraordinary charges of £97.6m.

Mr. Hogg says the board remains confident that the group's financial position is under firm control and that action taken and in hand will greatly improve its international competitiveness.

Reductions in capacity have been predominantly on the textile side and in the UK. As a result, the balance of capital employed as between the UK and overseas has shifted from just under 2½:1 to less than 2:1; and between textile and other from 4:1 to nearly 3:1.

While these trends are seen as probably continuing, they will not necessarily do so at the same pace, the chairman adds.

Meeting, Europa Hotel, W, July 16, 10.45 am.

SHARE STAKES

Willis Faber—Mrs Bowes, wife of Mr R. N. Bowes has disposed of 75,000 ordinary shares.

Leopold Joseph—Mr Robin Herbert, director, has acquired an interest in 22,500 ordinary shares.

Corah—Mrs P. A. G. Corah has disposed of 50,000 ordinary shares.

SPAIN

June 19	Price %	+ or −
Banco Bilbao	332	−6
Banco Central	408	−2
Banco Exterior	330	−5
Banco Hispano	317	−7
Banco Ind Cat.	125	
Banco Santander	383	−3
Banco Urquijo	228	+3
Banco Vizcaya	235	
Banco Zaragoza	267	−4
Dragados	250	+4
Espanola Zinc	91	
Fecsa	77.7	−1.3
Gal. Preciados	57	+1.5
Hidrola	85.5	−4.2
Iberduero	68	−1
Petroleos	143.5	−7.5
Petroliber	102	
Sogefisa	62	
Telefonica	89	−1
Union Elect.	76	−4.5

Anderson Strathclyde 7.8% advance

A 7.8 PER CENT increase in pretax profits and a maintained dividend are reported by Anderson Strathclyde, mining and industrial equipment manufacturer, for the year to March 31, 1981.

The 12 months profit advance from £5.87m to £6.33m follows a turnround from a loss of £1.44m to a profit of £2.82m at midway. The directors said then that the level of 1979/80 second half output was exceptional, after strikes during the first six months, and it would not be repeated in the second half of 1980/81.

They now say that, during the second six months of the year, manufacturing facilities were much under utilised, with consequent higher unit costs. It was necessary for extensive short-time working to take place and for a considerable number of redundancies to be implemented.

For the year, exceptional redundancy costs took £840,000 from trading profits of £8.22m (£8m). However, this was more than offset by a fall in interest charged from £2.13m to £1.05m.

The reduction of interest was mainly due to lower levels of bank borrowings.

Turnover for the 12 months improved from £72.3m to £84.23m. Tax took £1.6m (£1.25m), leaving the net balance ahead from £4.62m to £4.73m and earnings per 25p share at 10.4p (11.4p).

The final dividend is 3p net, holding the total payment of 4p at a cost of £1.9m (£1.52m). The retained balance amounted to £2.83m (£3.1m).

● comment

Anderson's results illustrate an unexciting second half in trading terms and an improvement in the group's borrowing position in the wake of last year's rights issue. Capital gearing is now quite modest with net loans of around £6m on funds of around £40m. There was little to be done last year in the face of a lower order book and cut-backs from the National Coal Board. Anderson lowered its UK workforce by 400, a 10 per cent reduction. But the group is still, to a limited degree, on short-time working. Speculation continues about a possible bid from Charter Consolidated (which holds 28.4 per cent) a full year after the market raid. This old chestnut is one of the main reasons why AS shares, up 3p yesterday to 101p, are on a fully-taxed historic rating of more than 15. The total net dividend, as forecast, has been held on a larger share capital: the yield comes out to just under 6 per cent.

HIGHLIGHTS

Lex features the big losses from the French group Peugeot. At home Courtaulds' annual report gives further balance-sheet details but adds little to recent cautious statements on the outlook. Lex moves on to explain Unigate's reasons for venturing into the New York commercial paper market. A nasty hic-cough is reported in the growth rate of high-flying Applied Computer Techniques, which highlights the risks in this sector. Finally Lex looks at the circular on the BP rights issue from the three sponsoring brokers. As expected the BOC rights has closed with a low level of acceptance—applications for 27 per cent of the issue were received.

Applied Computer ahead 5% at year end

A DROP in second-half profitability at Applied Computer Techniques (Holdings) meant that although mid-term pre-tax profit showed a 32 per cent rise to £407,000, the full year figure to March 31 1981 was ahead only 5 per cent at £756,036, compared with £720,083 previously.

The directors say that, as anticipated at the interim stage, the rate of profits growth would have been much higher had it not been for the continued high expenditure on developing the Nebula integrated business software to be used with the ACT Series 800 micro-computer system.

Also the second half result was affected by the closure of several marginal activities inherited with the Computerproof acquisition.

Although the directors continue to sound a note of caution for the first half of the current year, medium term prospects are very good with the group involved in most of the high growth areas of the computer industry.

Turnover for the year increased from £5.57m to £7.15m, but after higher tax of £255,351 (£166,145) net profits were down from £553,938 to £500,685.

Stated earnings per 10p share fell from 6.36p to 5.07p, while the dividend is effectively unchanged at 0.5p net with a final of 0.33p.

The group's financial position is extremely strong, with net cash balances of over £800,000, the directors state.

Lex, Back Page

Second half loss for Cropper

A PRE-TAX loss of £125,000 in the second six months ended March 31, 1981, against profit of £474,000 last time, cut the full year taxable surplus of James Cropper and Co. from £887,000 to £100,000. Turnover of this paper manufacturer, however, rose from £13.72m to £15.02m over the 12 months.

The directors say the company has returned to profit in the current period and prospects for the rest of the year are better than last year. It has a full order book, but the recent fall in the value of the pound against the dollar will affect margins until raw material cost increases can be recovered in selling prices.

The year's dividend is being reduced from 4p to 2.5p net per 25p share with a final of 1.5p (2.5p).

Tax took £17,000 (£27,000) and net profits came through at £83,000, compared with £860,000.

Near £740,000 by Property Partnerships

PRE-TAX PROFIT of Property Partnerships, the Norwich-based property and hotel group, advanced from £667,000 to £737,000 in the year ended March 31 1981, and the earnings per 25p share are stated at 9.9p as against 8.7p.

At the half year stage the company produced revenue before tax of £365,152 (£343,016) on turnover of £1.26m (£1.14m).

The final dividend is raised to 2.75p (2.5p) per share making a total of 5p (4.5p).

The group's investment and hotel properties were revalued by Weatherall Green and Smith as at the year end. The total value shown—which takes into account net additions to the portfolio since the last independent valuation carried out three years ago—is £14.05m (£6.72m).

The net assets attributable to each ordinary share, before deducting the potential liability to capital gains tax of 71p per share, are stated at 361p.

Tax for the year took £387,000 (£358,000).

Aberdeen Invests. share dealings to resume on Friday

DEALINGS in the shares of Aberdeen Investments, to be renamed Aitken Hume, are to resume on the Stock Exchange on Friday.

The shares of the small investment company—in which members of the Aitken publishing family won control last year—were suspended on May 27 when the proposed acquisition of the banking group Hume Corporation for £5.3m was announced.

Hume, with net tangible assets of £5.1m at March 31 1981, is much larger than Aberdeen, which had net tangible assets of £1.8m at that date.

Aberdeen raised most of the necessary funds by way of an underwritten open offer of 1.3m ordinary shares and £2 in convertible unsecured loan stock. The offer was taken up as to 78 per cent.

In addition, 37,500 new shares and £500,000 in convertible loan stock were issued to certain of the vendors.

A pro-forma balance sheet based on the accounts of both groups at March 31 and adjusted for the issue of £2.579m of convertible loan stock, shows combined net tangible assets of £3.9m.

Advances to customers amounted to £19.9m and current deposit and other accounts stood at £14.49m. Total assets were £27m.

Since Aitken (English) acquired a controlling interest in Aberdeen last October, the policy of Aberdeen has been to expand into financial services which can be linked with investment management. It acquired SCH Financial Services in January, 1981.

Hume provides a wide range of banking services which will in future be introduced to the investment management clients of Investment Intelligence, an unquoted arm of Aitken. The board believes there will be a significant improvement in Hume's current account and deposit base as a result. In due course, Hume is expected to acquire Investment Intelligence.

The group also seeks to expand in the smaller companies sector where Aitken believes there is a demand for low cost corporate advisory services and opportunities for rewarding investments.

Aberdeen is losing its investment trust status.

Aberdeen had profits before tax in the year ended on March 31 1981 of £159,000 (£107,000) on gross revenue of £195,000 (£117,000). Hume's profit in the nine months ended on March 31 1981 was £103,000 on gross revenue of £3.1m. Its profit in the year to June 30 1980 was £482,000 on gross revenue of £4.2m.

Aberdeen shares were suspended at 240p and they are expected to return on Friday at about 225p. Brokers to the company are L. Messel.

30 companies wound up

Compulsory winding up orders against 30 companies were made by Mr Justice Dillon in the High Court yesterday. They were:

Sanjorter, Nauticalia Engineering, Olania, Palace Installations Co., Derolt and Rulebarn.

Dibbo Engineering (Import and Export), S. G. Saunders, Hudson and Church, Thermseal (Doors and Windows), Scythian Construction, El Nile and Arconheath.

Gibson Traction Services, Michan Builders, Justskin (Services), A. H. S. (Lifting and Offshore), Sunliner Marine, and Speartram.

Calicoll, A.M.P. Management, D. Zigmond, Parwez-Hutson, Intermeko Chemicals and Ono.

Gale Records, Spa Estate Agency (Bath), Bartlett Christie and Co. (Cambridge), Etonline and Kirkbrow.

Walker and Staff profit setback

On turnover of £2.92m against £3.3m, taxable profits of Walker and Staff Holdings, distributor of engineering supplies, fell from £198,000 to £70,000 in the year to March 31, 1981. On a current cost basis the surplus is £50,000.

Tax took £17,000 (£55,000), leaving a net surplus or £53,000 (£143,000) or 2.34p (6.37p) per 5p share.

The single net dividend is maintained at 1.35p.

GREAT NORTHERN TRUST LOWER

Revenue of Great Northern Investment Trust slipped from £2.69m to £2.24m in the half year to May 31 1981. Tax amounted to £804,710 against £973,149.

The interim dividend is maintained at 2p net and the directors intend to hold the final at last year's 4.6p. Net asset value per ordinary share rose from 177p to 184p.

Beer market continues to decline—Whitbread

CURRENT levels of trade in the brewing industry are again significantly below those of the previous year, to such an extent that over the two year period the beer market could decline as much as 8 to 9 per cent, says Mr Charles Tidbury, chairman of Whitbread in his annual statement.

In these circumstances the company is continuing to adjust its levels of activity to these reduced volumes, while protecting margins. "We shall then be ready to take advantage of the upturn in trade when it comes," he says.

The company is continuing its search for suitable overseas business and the directors want to increase the earnings from abroad by about 30 per cent. Towards this end the company has set up Whitbread Technical Services to handle its international beer and soft drinks business.

Scoresbury, the Californian Scotch whisky business and the company's most recent overseas subsidiary is doing very well and beer interests in Belgium showed good volume growth, although profitability was held down by Government price controls, the chairman says.

Whitbread's development of its head office site at Chiswell Street is not completed though the two office blocks have been let to BP which has moved into part of them. Mr Tidbury anticipates that the net cash flow from the development will be not less than £25m between 1980 and 1982.

As reported on May 20, Whitbread was comfortably ahead in the year to February 28 1981 with pre-tax profits of £66.39m (£61.81m) on turnover of £782.15m (£720.26m). As at the year-end shareholders' funds had increased to £760.52m (£431.1m) and fixed assets to £798.44m (£491.86m).

Loan capital was £143.5m (£149.14m), and net current assets stood at £49.69m (£45.98m) which included bank overdrafts of £23.41m (£20.99m) and cash balances of £17.99m (£12.99m). There was a net increase in liquid funds of £2.58m (£43.35m decrease) during the year.

Change Wares rights issue response low

The rights issue that formed part of the financial reconstruction of Change Wares, the steel shelving and stockholding group, has attracted acceptances of only 8.4 per cent.

The issue consisted of units of 1.1m new 20p ordinary shares with detachable warrants at 60p per unit.

The 1m rights units not taken up have been subscribed by Page Mill, a New York investment partnership that already had a 10 per cent stake in the company, and Samuel Montagu.

Page Mill now has a 34 per cent stake and has undertaken to exercise or procure the exercise of not less than 500,000 warrants as 60p each so as to ensure an additional £0.3m of equity share capital. The warrants are exercisable after the rants are xercisable after the accounts for the year ended on December 31 1981 have been published.

George Wimpey sees no improvement

Nothing had happened to change the expectation that 1981 would be a difficult year, Sir Reginald Smith, chairman of George Wimpey, told shareholders at the annual meeting. Although sales of private houses were buoyant in the early months of the year they had been rather less so than in recent weeks.

Steadily rising interest rates and inflation worldwide had created difficult trading conditions for international contractors and recession had led to increased pressure on margins.

Work booked in recent months had been running at a lower level than in the same months of 1980.

MARSH & McLENNAN

Marsh and McLennan Companies has formed Marsh and McLennan World Services, a global insurance broking and management organisation.

The new organisation will co-ordinate the services of Marsh and McLennan's direct insurance brokerage subsidiaries and affiliates throughout the world. Marsh and McLennan is the world's largest direct insurance brokerage and risk management organisation.

RACAL RESULTS

Results of Racal Electronics are expected to be announced tomorrow morning, in view of the lateness of today's board meeting.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Anderson Strathclyde	3	Aug 7	3	4	4
Applied Computer	0.33†	Aug 14	0.33*	0.5	0.5*
James Cropper	1.5	Aug 12	2.5	2.5	4
Gt. Northern Tst. ...int.	2	Aug 12	2	—‡	6.6
Property Partnerships	2.75	Aug 3	2.5	5	4.5
Walker and Staff	1.35	—	1.35	1.35	1.35
Whitecroft	2.6	—	5.2	3.85	7.7
Witwatersrand Gold	2§	July 3	Nil	2	Nil

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Maintained final of 4.6p forecast. § South African cents throughout.

RESULTS AND ACCOUNTS IN BRIEF

EAST MIDLAND ALLIED PRESS (newspaper and periodical publisher)—Results for year to March 28 1981 reported June 4. Group shareholders' funds £15.83m (£11.65m). Fixed assets £11.84m (£10.56m). Net current assets £4.24m (£1.43m), including cash and short term deposits £4.96m (£0.34m). Working capital up £3.77m (£0.38m). Directors are confident that company's progress will continue. Meeting, Peterborough, July 13, 2.45 pm.

KRAFT PRODUCTIONS (furniture manufacturer) — Results for 1980: no dividend (same); turnover £1.33m (£1.56m); loss £70,871 (£65,373); tax credit £11,508 (£31,283); loss per 10p share 5.34p (3.41p).

LONDON AND PROVINCIAL TRUST—Results for year to March 31 1981 already known. Ordinary shareholders' funds £24m (£20.86m). Investments at cost £25.41m (£22.42m) and at valuation £63.73m (£45.74m). Net current assets £8,954 (£142,866 liabilities). Uninvested funds increased by £150,951 (£1.55m decrease). Meeting, P & O Building (2nd floor), EC, July 16, 2.15 pm.

TIME PRODUCTS (watch manufacturer and distributor, retail jeweller)—Results for year to January 31 1981 and prospects already known. Group shareholders' funds £27.21m (£22.59m). Fixed assets £8.94m (£4.51m). Net current assets £18.44m (£14.07m), including bank overdrafts and short term loans £8.05m (nil). Meeting, Connaught Rooms, WC, July 14, noon.

BROWNLEE AND COMPANY (timber group)—Results for year to March 28 1981 and prospects reported June 10. Shareholders' funds £11.72m (£10.95m); fixed assets £5.11m (£5.01m); net current assets £5.94m (£5.49m). Short-term borrowings nil (£0.8m). At May 30 1981 International Timber Corporation held 20.24 per cent of ordinary shares. Meeting, Glasgow, July 15, noon.

HOUSE PROPERTY COMPANY OF LONDON (property investment)—Results for 1980 reported May 4. Fixed assets £449,111 (£457,335), net current assets £230,844 (£198,132), shareholders' funds £687,539 (£662,429), decrease in working capital £219,459 (£14,092 increase). Meeting, Eagle House, High St, Wimbledon SW19, July 8, 12 noon.

VELVETON INVESTMENTS — Results for half year to April 30 1981. profit after tax £74,832 (£76,659); net assets per share 22p (8p on October 31 1980).

ROWTON HOTELS—Results for 1980 and prospects reported June 13. Shareholders' funds £4.78m (£4.57m), current liabilities £1.46m (£1.68m), fixed assets £5.452m (£5.4m), current assets £1.3m (£1.4m). Meeting, Mount Pleasant Hotel, Calthorpe Street, WC, July 8, noon.

DUCKWARI TEA AND RUBBER ESTATES—Dividend 0.35p, payable on June 30.

CHARLES HILL OF BRISTOL (civil engineer, builder and ship repairer)—Results for 1980 reported May 15. Shareholders' funds £2.22m (£2.26m), fixed assets £1.48m (£1.51m); net current assets £832,831 (£915,108), bank overdrafts £866,702 (£325,837), balances and cash £347,437 (£184,739), short-term deposits £750,597 (nil). Meeting, Bristol, June 22 at 11 am.

BOOTS COMPANY (retail chemist, drug and agrochemical products manufacturer)—Results for 1980 and prospects reported May 22. Fixed assets £340.6m (£306.3m), net current assets £138.1m (£168.6m), cash and short term deposits £39.9m (£60.9m), investments £50.9m (£18.1m), shareholders' funds £522.8m (£474.3m). Meeting, Chartered Insurance Institute, 20 Aldermanbury, EC, July 16 at 11 am.

FIDELITY RADIO (audio and television manufacturer)—Results for year ended March 31, 1981 and prospects reported May 22. Current cost pre-tax loss £3.18m against historical £2.76m. Shareholders' funds £7.08m (£8.64m). Fixed assets £7.2m (£4.51m); net current liabilities £76,000 (£3.44m assets), including bank overdrafts £2.01m (£0.71m). Meeting, Cunard International Hotel, W, July 7, 10.30 am.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$475	3	16	12	36	—	—	$463
GOLD C	$500	72	8.50	32	25 A	1	44	"
GOLD C	$550	45	2.50	—	—	—	—	"
GOLD P	$450	5	8	10	15	—	—	"
GOLD P	$475	—	—	1	27	—	—	"
GOLD P	$500	—	—	1	42	—	—	"
		July		Oct.		Jan.		
ABN C	F300	13	6	—	—	—	—	F.298
AKZO C	F.20	66	6.60	12	7.30	—	—	F.26.50
AKZO C	F.22.50	17	4.20	20	4.80	—	—	"
AKZO C	F.25	47	2	15	3.10	—	—	"
AKZO C	F.27.50	13	0.80	80	2	—	—	"
AKZO P	F.25	—	—	10	0.70	—	—	"
AMRO C	F.60	—	—	10	2	—	—	F.55.80
HEIN C	F.60	—	—	14	1.60	—	—	F.52
HEIN P	F.50	10	0.90	—	—	—	—	"
HOOG C	F.20	—	—	11	1.80	—	—	F.18.80
KLM C	F.100	24	39 A	—	—	—	—	F.139
KLM C	F.110	25	29 B	15	35	—	—	"
KLM C	F.120	50	19.50 A	—	—	—	—	"
KLM C	F.130	72	12.50	58	19.50 B	—	—	"
KLM C	F.140	117	7.70	52	14.30	—	—	"
KLM C	F.150	250	3.60	93	9.50	17	13.50	"
KLM P	F.90	19	0.10	—	—	—	—	"
KLM P	F.100	52	0.20	10	1.50	—	—	"
KLM P	F.110	—	—	18	2.50	—	—	"
KLM P	F.120	32	1.30	12	5.40	—	—	"
KLM P	F.130	86	3.50	22	8.50	10	13	"
KLM P	F.140	52	7.60	—	—	16	16.50	"
NATN C	F.110	—	—	10	9.50	—	—	F.116.30
NATN C	F.115	—	—	32	7.50	—	—	"
PHIL C	F.20	30	4.30	55	5	—	—	F.24
PHIL C	F.22.50	81	2	86	2.60	20	4	"
PHIL C	F.25	213	0.60	26	1.70	64	2.60	"
PHIL C	F.27.50	—	—	166	0.80	301	1.60	"
PHIL P	F.25	—	—	20	1.50 B	16	2	"
RD C	F.80	17	7.40	—	—	7	11	F.86.50
RD C	F.90	334	1.10	72	3.90	62	6	"
RD C	F.95	42	0.40	—	—	—	—	"
RD C	F.100	43	0.20	67	1.70	20	3.30	"
RD P	F.80	275	1	30	3.20	—	—	"
RD P	F.90	20	5.50 A	20	8	—	—	"
UNIL C	F.150	15	4.30	8	8.50	—	—	F.150.70
UNIL P	F.160	—	—	7	10	—	—	"
		Aug.		Nov.		Feb.		
BASF C	DM.140	10	1.70	—	—	—	—	DM137.80
SLUM C	$100	10	2⅞	—	—	—	—	$93
SLUM C	$110	12	⅝ A	—	—	—	—	"
VW C	DM.170	35	4	—	—	—	—	DM171

TOTAL VOLUME IN CONTRACTS 3922

A=Asked B=Bid C=Call P=Put

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WHITBREAD
AND COMPANY LIMITED

Weathering the Storm of Recession

The Chairman's Report for the year ended 28th February 1981.

Profits before tax for the year increased by 7.4% over the previous year, on a turnover which has increased by 8.6%. I think these results are satisfactory under the prevailing conditions, but they must be measured against an inflation rate of almost 17%. The CCA figures show that real values have been eroded by inflation, your Company's and the country's number one enemy.

In my last statement I said that the immediate objective for the Company would be to survive recession in the best possible shape, so that it could take advantage of the upturn when it comes, and this remains the position. For over six months or so, we have been experiencing the most difficult trading conditions that any of us can remember. The brewing trade was one of the last to feel the full weight of the recession, and it could be one of the last to come out of it, for we depend very much on the money in people's pockets.

Cutting Costs

By September last year it was apparent that the recession was biting more deeply than we had at first anticipated, and that costs would have to be further reduced and other economies effected. I am sure this policy has been the right one, although it is a painful business, and has inevitably resulted in heavy cost cutting and redundancies. The numbers employed have been reduced by about a thousand, but fortunately partially offset by a large number of full and part-time jobs created by the expansion of our Beefeater operation.

The slimming exercise has touched all levels in the Company, and I have been particularly sad that it has affected people with long service. This is perhaps a sharp indicator, in a company of our tradition, of the depth of the present recession.

We must cut our cloth according to our means, but we are deeply concerned about the impact of these necessary actions and have set up an organisation to help people find new jobs. In the areas where jobs are being reduced we are doing all we can to minimise the burden on people, by providing counselling and help generally at the difficult time of redundancy. We are also starting work in the area of providing jobs through new business ventures, and your Board has allocated senior management and financial resources to this project.

Retraining remains vital, particularly as I think it possible that there will be a shortage of tradesmen in industry generally when the upturn in the economy comes. I hope that the unions will help to the full, as they have a lot to contribute.

The problem of seeing that young people, who must be the seed corn of any business, have jobs and working experience is a very serious one for the country. The whole subject of employment of young people and redeployment of older ones, requires an understanding attitude at all levels of the business. Solutions will not come easily, and can only be arrived at through good communications and frank and open discussion.

Profits remain a vital ingredient in keeping our Company healthy in whatever conditions we are trading. They not only provide the cash flow for investment, wages and dividends, but, perhaps most important of all, they allow reinvestment in the future of the Company, which keeps it modern and competitive, and so able to give reasonable security of employment to the people in it. I am happy to say that so far we have been able to preserve our investment plans for the future, and more than half of the available funds are now being ploughed back into the trading side of the business, particularly into our pubs.

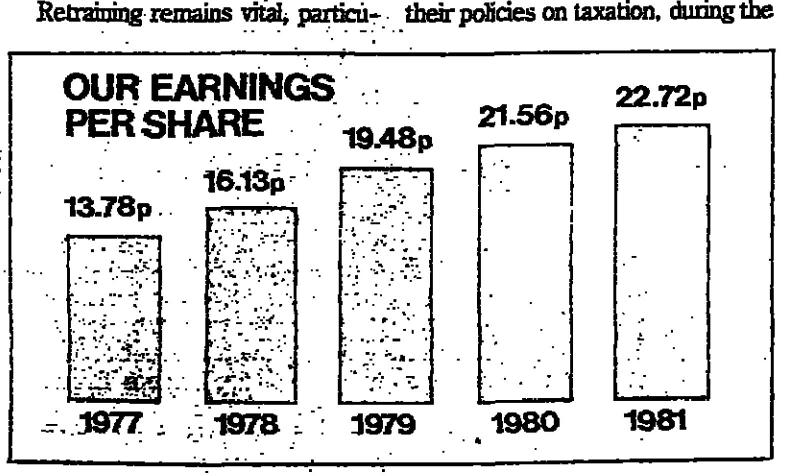
Although inflation has started to come down this year, it is critical that the battle to defeat it is continued. During the period to which the results refer, however, inflation was running at a little under 17%, and in real terms, therefore, we have fallen behind in our profit performance as a result of recession. If everybody's expectations are to be met, and investment levels maintained, we have to achieve real growth, and, for that to happen, present economies and reduction of costs must continue. The Company has responded magnificently, and I am confident that, although we must go on taking the medicine, the mixture is proving effective. It is a continuing and relentless battle that we must win in order to be competitive and profitable.

Prices

Prices have been increased during the year, reflecting those costs which cannot be absorbed by greater efficiency. We have had to ensure that we establish realistic price levels that enable us to go on investing for the future, as we do not want to damage the Company's long term interests by failing to maintain adequate investment. Equally, we have to ensure that prices carry as little as possible of the burden.

Whilst on the subject of prices, I should also add that, although governments are obviously entitled to their policies on taxation, during the last two years the Chancellor has added some nine pence of duty and VAT on a pint of beer, which means that around 20p of the price of an average pint of beer now goes to the government.

As far as industrial relations are concerned, I am happy to say that far fewer 'goals' have been scored this year against our own side – some people call them self-inflicted wounds. I believe, however, that realism in negotiation of wage settlements has to continue, because it is going to take some years to establish a truly viable economic base for the future of this Company and the country. Our requirement for first class service to our customers remains paramount, and I am conscious that not everywhere do we achieve it, something on which we are determined to improve.



Revaluation of Properties

During the year, the Company's chartered surveyors carried out a revaluation of the Group's properties. The basis of valuation conforms with the guidance notes issued by the Royal Institution of Chartered Surveyors, and the result has been a surplus of £287m. which has been transferred to reserves.

UK Trade

Inflation, unemployment and generally less money available for non-essential spending made 1980 a difficult trading year. However, our beer sales were roughly in line with the industry's, which were estimated to be about 5% down. This drop in volume occurred across all trade sectors, but within that our local ales continued to perform well. These now include such names as Fremlins, Pompey Royal, Strong Country, Wethereds, Chesters, Welsh, Castle Eden and Flowers. Trophy enjoyed another successful year, particularly in the North of England, and is probably the largest brand of draught bitter in the UK.

Our lager sales continue to account for an increasing share of total beer sales. Heineken performed well in all sectors, as did our two new lagers, Royal Kaltenberg and Heldenbräu. Draught Stella Artois, despite its premium price, increased its sales over the previous year.

We are fortunate that we now have a well balanced selection of national and local brands of excellent quality, providing a wide choice for our customers' tastes.

Wines and Spirits

Our wines and spirits interests, through Stowells of Chelsea and Langenbach GmbH, and our Scotch whisky company, Long John International, all showed marked improvements towards the end of the year as de-stocking in the distribution pipeline finished.

Our Retailers

The expansion of catering continues to be successful and profitable, and our Beefeater chain goes from strength to strength. To support the development of this type of business in the future, a Retail Division is being formed. I would like to emphasise, however, that our more traditional types of retailing are still a vital core of our business. Investment will continue at a high level for the right opportunities, and be managed by the local trading companies.

Once again, I must pay tribute to our retailers. Our trade depends upon them and their wives, and their cheerful ability to keep a good pub or shop. This remains as true as ever under prevailing conditions, and perhaps we sometimes forget the skills, hard work, humour and even courage required to run a successful establishment, where people feel safe and secure, and enjoy a meal, their shopping, or a social drink.

In these times the retailer's job is no easy one. He has to manage a business and react to change, while battling with inflation like every other trader. A successful partnership between brewer and retailer becomes all the more important, and it is essential that we meet one another face to face at the appropriate individual level to talk about our business.

Britannia Soft Drinks

We have successfully completed the merger with Bass of our soft drinks interests, together forming a new company – Britannia Soft Drinks. About 1,000 of our people moved to the new company which will now be handling the R White's and Rawlings brands, in addition to the UK interests of Cañada Dry. Bass is the major partner and will manage the Company. The merger is going well, and we are optimistic for the future.

Draymen Peter Usher (left) and Steven Tubb with Pride and Prejudice, two of the Whitbread Shire horses, in the City of London.

OUR RESULTS
Year to 28th February 1981

£000's	Year to 28.2.81	Year to 1.3.80
Turnover	782,148	720,259
Profit before taxation	66,388	61,813
Ordinary dividends	16,885	14,648
Retained in the business	42,699	39,654
Earnings per share	22.72p	21.56p
Dividend per share	6.70p	6.00p
Dividend cover	3.39	3.59
Added value per full-time employee	£12,082	£9,606

International

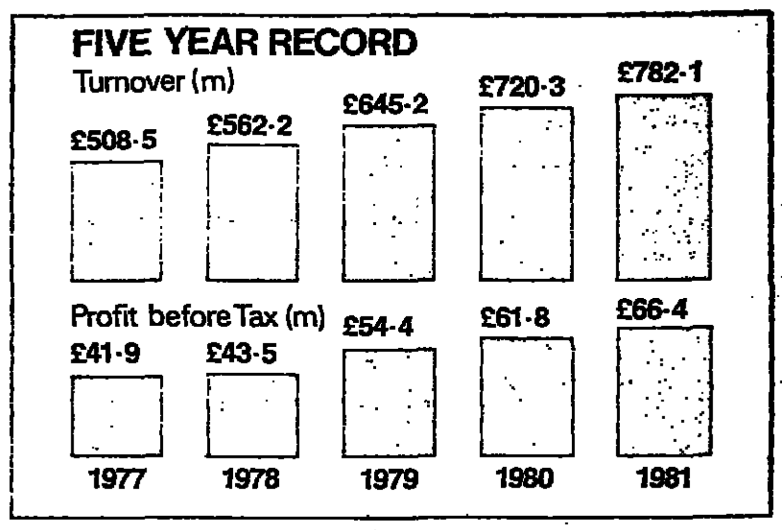
We continue our search for suitable overseas business, and the Board remains determined to increase the proportion of our earnings from overseas to a level of approximately 30%. To this end, we have recently strengthened our senior management organisation on the international side to ensure that the objective will be met. It is perhaps worth mentioning that Scoresby, the Californian Scotch whisky business, and our most recent overseas subsidiary, is doing very well. Our beer interests in Belgium showed good volume growth, although profitability was held down by Government price controls.

As a step towards earning a greater proportion of our total profits from overseas, we have established a new company, Whitbread Technical Services Limited, to handle all aspects of our international beer and soft drinks business. Formed initially by combining our Export and Licensing Division with the Project Engineering Department, the Company has been reinforced by specialist brewing, packaging and financial support, so that complete brewing services can be offered. It is already evident that the "in-house" skills developed by Whitbread throughout its long history are much in demand, and these will be used to build on the international base created by our licensing operations in the Caribbean, Africa, Asia and New Zealand.

Development of Chiswell Street

The development of Chiswell Street has continued successfully. The Porter Tun Room is now a popular place for banquets and other functions, and is well used. The two office blocks have been let to our neighbours, BP, who have already moved into part of them.

Development of the site will not be complete, however, until we have finished building 138 flats for Islington, a supermarket and other associated developments. Only then will it be possible to calculate the final profit on the whole development, but I anticipate the net cash flow to Whitbread's between 1980 and 1982 will not be less than £25m.



Social Problems of Alcohol

Much has been said recently by a variety of people about the social problems of alcohol, and your Company and the brewing industry take this challenge very seriously. We wish to encourage sensible drinking, and fervently believe that the pub and off-licence are a support to this policy, as places where alcohol is served by people who are trained and properly licensed, and require moderation for the future welfare of our trade. We believe this can only be done by a policy of education.

You may be interested to know that over recent years, a large number of the Company's industrial sites have replaced the traditional daily beer allowance consumed at the place of work, with a "take home" allowance. Such a change would have been almost unbelievable in 1952 when I entered the trade, but I am very pleased that this policy has been accepted in the interests of safety at work, and I also feel that it helps to set an example with our own people on the practice of moderate social drinking.

People

I am sure shareholders would like me to say thank you to all the people who have achieved these results and, on this occasion, I would like to mention the Company Secretary, Ray Gillah, and a Specialist Director, Peter Norris, both of whom are retiring after 44 and 42 years' service respectively. They will be greatly missed, but I am glad to say we have got good people to take their places. Your Board believes that training for senior management, and management development, are very important to ensure the Company's success in the future.

We are also very conscious of the debt that we owe to those who have worked for the Company in the past, and, with the impact of continuing increases in the cost of living, I am glad to say that we have been able to increase payments to pensioners again this year.

Share Schemes

As you know, a Share Ownership Scheme was introduced in 1980, and the first issue of shares was made in that year to eligible employees. The Directors, having taken into account past performance and future prospects, have decided to issue £100 worth of shares in 1981 to those employees of the Company who are eligible for the scheme.

In continuation of this policy of broadening the base of share ownership we are asking the shareholders to approve the introduction of two new schemes in 1981. One is a Savings Related Share Option Scheme to replace the 1975 Own-As-You-Earn Scheme, which is open to all full-time employees with three years' service. The second is an Executive Share Option Scheme under which senior management will be granted options which may be exercised three years after granting.

I hope that these share schemes will be welcomed as we want to establish people who work in the business as shareholders. I believe this will help to make everybody feel more involved in the success of the Company and I hope the Shareholders will vote for the proposals.

The Future

Current levels of trade in the brewing industry are again significantly below those of the previous year, to such an extent that, over the two year period, it would appear that the beer market could decline by as much as 8-9%. In these circumstances, we are continuing to adjust our levels of activity to these reduced volumes, whilst protecting our margins. We shall then be ready to take advantage of the upturn in trade when it comes.

I believe the strength of Whitbread's has always been the individual people who work in the Company. They have shown great skill, initiative and resourcefulness this year, which gives me confidence that we are coming through the present recession successfully. I hope general trading conditions will have improved by the time I report to you again next year. Meanwhile, I am confident we have a skilful trading team which is becoming fitter and leaner, and which will continue to do its best for the Company.

Charles Tidbury.

CHARLES TIDBURY, *Chairman*

Annual General Meeting:
12 noon, Tuesday 21st July 1981
Brewery, Chiswell Street,
London EC1Y 4SD.

WHITBREAD EST^{D} 1742 **FOR CHOICE**

MINING NEWS

MIM £314m Newlands coal plan go-ahead

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S MIM Holdings, in which America's Asarco has an interest of about 49 per cent, has reached agreement with the Queensland Government for the development of the A$550m (£314m) Newlands steaming and coking coal project, 80 kilometres south of Collinsville in north Queensland.

Newlands, which represents the company's biggest single diversification away from its base metal-producing Mount Isa base, pushes it to the forefront of the growing number of local coal producers, reports our Sydney correspondent.

The new venture will be wholly-owned by MIM and will involve the construction of a new township and port which will be ready to fulfil export contracts in mid-1984. An estimated 5m tonnes of coal will be exported each year, this comprising 4m tonnes of steaming coal from Newlands and 1m tonnes of coking coal from the company's existing Collinsville mine.

MIM says that negotiations for the sale of Newlands steaming coal to Japan, South-East Asia and Europe are well advanced and that final contracts are expected to be signed over the next few months.

The company is expecting to spend around A$750m in the next four years on its Queensland coal thrust. The Collinsville mine is to double annual production to 2m tonnes by 1984 by which time the Oaky Creek operation should be producing about 2m tonnes and Newlands 4m tonnes.

This would transform MIM from a metals miner and processor to a much more diversified minerals company, although the bulk of its profits should still be derived from its traditional base for some years to come.

NZ gold find shows promise

THE possibility of a sizeable gold mine being developed in New Zealand is raised with the news that diamond drilling results so far assayed at the Martha Hill, Waihi, prospect indicate a low grade but low cost, gold producer with high profitability, according to Mr J. S. Watt, chairman of Mineral Resources NZ.

The company is in a joint prospecting venture with America's Amax and Green and McCahill. Amax, as manager, has an 80 per cent stake in the venture with the remaining 20 per cent held equally by the other partners.

Mr Watt said in Auckland yesterday that a great deal of additional drilling would be required before the drill indications of a 35m tonnes orebody with likely recoveries of 2.5 grammes gold per tonne and 25 grammes silver could be classified as an ore reserve and before mine development could be contemplated.

He added that evaluation of the prospect is continuing and that a further 500 metres of drilling is planned for the next 12 months.

Australian study for hexafluoride plant

AN 18-month study costing over A$500,000 (£286,000) into the feasibility of converting uranium oxide into uranium hexafluoride at a plant at Port Pirie in South Australia is to be carried out.

The study group comprises: Broken Hill Associated Smelters (owned by the Rio Tinto-Zinc group's CRA and North Broken Hill), British Nuclear Fuels, Roxby Management Services (controlled by the partners in the huge Olympic Dam copper-uranium prospect, British Petroleum and Western Mining) and the South Australian Government.

Uranium oxide, or yellowcake, is the normal product of uranium mines and its conversion to uranium hexafluoride is a chemical process involving specialised technology, such as that developed by British Nuclear Fuels.

A few nuclear plants use natural uranium but most require the proportions of a particular uranium isotope in their fuel to be increased from the natural level. The first phase in achieving this is in the production of uranium hexafluoride by chemical process.

The Australian Government is believed to be keen to go ahead with the erection of a uranium enrichment plant and this would require a supply of hexafluoride which at present is not available in the country.

If studies show that a hexafluoride plant at Port Pirie is economically viable an obvious source of its future feedstock would be the Olympic Dam prospect at Roxby Downs in South Australia. By supplying uranium to a domestic plant for "peaceful" use in power generation, the usual objections in Australia to uranium mining might well be lessened.

At the same time, the uranium market looks like remaining in oversupply for some years to come and a guaranteed domestic market via a "hex" plant would make commercial sense, especially as uranium hexafluoride has a considerable added value over uranium oxide.

HOPING FOR A GOLDEN GUINEA

Canada's Societe Miniere Internationale du Quebec (SOMIQ), founded last year as a resource development company, is excited about the mineral possibilities of the Republic of Guinea in West Africa.

SOMIQ has lease rights over 39,000 square kilometres in the north-east region of the country and reckons that there could be large deposits of alluvial and eluvial (weathered material still near its point of formation) gold spread throughout the area.

It is stated that an independent assay report on initial samples from the region has shown high gold values ranging from 135 grammes to 472 grammes per tonne of ore with silver values going from 7.46 grammes to 36.08 grammes.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Ashdown Investment Trust, First National Finance Corporation, Hardys and Hansons, Arthur Lee.

Finals: E. Austin (London), Baraoora Tea, Charter Consolidated, Elswick-Hopper, Evans of Leeds, GEI International, Halma, Mansfield Brewery, Moorgate Mercantile, Norwest Holst, Nova (Jersey) Knit, Ocean Wilsons, R. Paterson, Racal Electronics, Tecalemit.

FUTURE DATES

Interims—

Burns-Anderson	July 1
Glasgow Stockholders Trust	July 16
Jackson (J. and H. B.)	June 25
Trusthouse Forte	June 25
Whatlings	June 26

Finals—

Brent Walker	June 29
British Tar Products	June 30
Chubb	June 24
Fortnum and Mason	June 26
Latham (James)	July 6
Marston, Thompson and Evershed	July 7
Mitchell Somers	July 9

UK COMPANY NEWS

Bridgend Processes reduces deficit

TAXABLE LOSSES of Bridgend Processes were cut back from £379,388 to £252,741 in 1980, but the directors say the group still has a difficult time ahead before it establishes itself as profitable.

Turnover of the group, which is involved in security equipment distribution and plastics technology, jumped from £190,485 to £543,142. This illustrates that the groundwork for a more successful future has been laid, say the directors, adding that the improvement has continued in the current year.

Although losses have not been eliminated they are reducing as the operating subsidiaries establish themselves.

After tax charges of £1,613 (£2,122), the loss per 5p share for the year is stated at 0.7p (1.01p). No ordinary dividends have been paid since 1973.

BSG Int. sees first half profits

BSG International has traded profitably for the first five months of the current year, shareholders were told at the annual meeting yesterday, and the directors are confident the company will be able to show a small profit during the first half.

Mr H. A. Whittall, chairman said since his annual statement when he reported that in the first quarter of 1981 there had been a reversal from the loss making situation of 1980, assets had been realised to the value of £6.5m arising from re-organisation of the group.

As reported on May 1 this motor distribution and components group plunged to a loss before tax in 1980 of £4.96m (£5.02m profit) on turnover of £267m (£300.6m) with the attributable figure coming out at a loss of £4.92m (£3.09m profit).

Little change expected at Atkins Bros.

The current year's trading for Atkins Brothers (Hosiery) is expected to follow a similar pattern to last year, with a difficult first half followed by a better second half because of seasonal factors.

Mr D. Styles, chairman, tells shareholders in his annual statement that overall market demand for the group's products—knitwear, underwear, sportswear and hosiery—is reasonably healthy in quantity, but tough on margins because of intense competition. Sales generally are not expected to improve until the autumn or winter.

Mr Styles remarks that although many forecasters are saying the recession has bottomed out the group sees no firm evidence of this.

As reported on June 3 1981, Atkins' pre-tax profits fell from £509,924 to £448,476 in the year to March 31, after a sharp drop to £64,990 (£268,588) at midway, when there were redundancy and other costs of £60,000.

Shareholders' funds at the year end were up from £3.13m to £3.89m. Fixed assets amounted to £1.56m (£1.63m) and net current assets £2.84m (£2.6m), including short term deposits of £750,000 (£350,000).

Meeting, Hinckley, Leicestershire, July 9 at noon.

Southend Stadium property boost

The move by Southend Stadium into property has amply justified itself, and Mr Peter R. Cammidge, chairman, tells members that only because of the property division have the company's profits been able to advance.

He says that if there is no change in Government legislation, then the incomes of the national greyhound tracks will decline rapidly over the next 10 years.

As known, pre-tax profits for 1980 went just ahead from £145,288 to £147,100 with rents receivable amounting to £82,446 (£61,374). The dividend is 0.43p (0.427p) per share.

J. Grant falls to £563,000

APPALLING TRADING conditions—due to depressed consumer spending and intense competition—caused profits at James Grant and Co. (East) to fall from £1.06m to £563,000 in the year ended January 31 1981.

The ordinary capital of this Edinburgh based department and furnishing store group are privately held. The earnings per 25p share are stated at 14.9p (20.3p).

The directors say that in the current year sales are running at about the same level as last year but, bearing in mind the increase in local property rates and other costs, the results so far are not good.

The company is taking all possible steps to contain costs and eliminate unprofitable activities, but the directors can see no grounds for optimism.

Tax for the year took £159,000 (£555,000). Turnover was £13.95m (£13.7m).

RIGHTS RESULT

Acceptances have been received in respect of 197,144 of the 200,000 shares of £5 offered by Commercial Bank of the Near East in a one-for-two rights issue last month at par. The balance have been sold in the market.

Whitecroft slides £2.8m: final halved

A DROP in earnings in the building and engineering supplies division helped reduce pre-tax profit of Whitecroft from £4.57m to £1.73m in the year to March 31 1981.

The final dividend is halved from 5.2p to 2.6p net a 25p share, cutting the total from 7.7p to 3.85p.

After tax of £123,000 (£1.9m), net profit of this Manchester-based group with interests in textiles, building and engineering supplies and engineering was £1.61m (£2.67m).

Earnings per share are said to be down from 12.66p to 7.58p.

Following closures and disposals, turnover is £89.46m (£101.48m). Extraordinary items from the same cause total £4.21m (£934,000), leaving a deficit, after dividends, of £3.47m against retained earnings of £61,000 last year.

Net tangible assets are put at 106.96p (126.61p) per share.

A divisional analysis shows a profit drop in building and engineering supplies to £476,000 from last year's £2.21m on turnover of £47.63m (£50.95m).

Engineering profit improved to £1.82m (£1.63m) with turnover up to £16.13m from £13.78m.

Textiles provided £1.03m (£2.27m) on a turnover of £24.55m (£26.36m).

Pre-tax profit was struck after interest charges of £2.22m (£2.27m). Current cost adjustments reduced this profit figure to a loss of £547,000 (£789,000 profit).

● **comment**

Whitecroft's final figures are very disappointing, especially after the chairman's forecast in December that the second half to March would show a "significant improvement" over the first half. In fact, second-half trading profit is more than a fifth lower than in the first half. The builders' merchanting business continued to decline because of the shortage of public sector activity while the retail stores were in loss and some were closed. Moorlite and Silcoms continue to lead the engineering side to improved profits while the surgical cotton business has improved both volume and profit. The surprisingly high extraordinary provisions include a slightly higher amount on Ryder than the £2.5m indicated at the interim stage, but the proceeds from various disposals have helped cut interest charges and keep capital gearing under 60 per cent. There is as yet no sign of real improvement in the group's fortunes although the shares at 63p, down 2p yesterday, are 40 per cent higher than they were in December. The yield on the halved dividend is just over 9 per cent.

Compeda to seek £10m institutional investment

Compeda, the wholly owned subsidiary of the National Research Development Corporation, will be seeking about £10m for additional investment, probably from a number of private institutional investors, says Mr David Thomson, chairman.

This Stevenage-based company has proved highly successful since it was formed just over three years ago to market and support high technology computer aided design software on a worldwide basis he says. Sales have trebled in each of the last three years.

Turnover in the last financial year was nearly £3m and the company succeeded in meeting its target of break-even. Significant re-investment continues to be made in research and development, the recruitment and training of professional staff, and the setting-up of new offices and expanding existing ones, he adds.

NRDC will retain a significant stake and, as the principal shareholder, will continue to play its part in ensuring a major British presence in this important growth industry Mr Thomson says.

Locker set for reasonable year

Providing there is an improvement in the UK market within the next few months, the result for the current year at Thomas Locker (Holdings) should be reasonable, says Mr B. J. Pitchford, the chairman of this screening and filtration engineering group.

At present, there are still no signs of an upturn in the group's UK companies, but those overseas have begun the year with strong order books and the outlook for them is promising, he states.

At the year end, group shareholders' funds were up slightly from £13.53m to £13.66m. Fixed assets totalled £7.87m (£8.06m) and net current assets were £5.76m (£5.49m).

As reported June 10, pre-tax profits fell from £1.78m to £1.1m for the year to March 31, 1981, on turnover of £20.12m (£20.41m).

Meeting, Warrington, July 16, 11 am.

LONDON TRADED OPTIONS

June 22 Total Contracts 1104 Calls 648 Puts 456.

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	330	13	16	24	5	34	4	330p
BP (c)	360	4	—	12	3	20	1	"
BP (c)	390	1	—	6	—	12	50	"
BP (c)	420	½	5	4	2	7	—	"
BP (p)	360	34	102	38	—	40	230	"
Com. U'n (c)	160	9	—	16	—	22	1	162p
Cons. Gld (c)	460	20	—	37	—	50	2	458p
Cons. Gld (c)	500	6	2	22	5	33	3	"
Court'lds (c)	70	2	2	8	25	10½	—	68p
GEC (c)	600	112	1	128	—	—	—	705p
GEC (c)	650	62	45	87	7	115	—	"
GEC (c)	700	20	59	48	82	83	5	"
Gr'd Met. (c)	180	36	2	39	5	47	—	213p
Gr'd Met. (c)	220	4½	—	14	1	23	1	"
ICI (c)	280	12	2	28	—	42	—	284p
ICI (c)	300	3	—	16	16	30	—	"
ICI (c)	330	1	—	8	2	16	—	"
Land Sec. (c)	390	11	1	26	—	36	—	388p
Mks & Sp (c)	120	9	15	18	—	25	10	127p
Mks & Sp (c)	130	3	10	11½	—	17½	—	"
Mks & Sp (c)	140	1	—	6	—	10	5	"
Shell (c)	330	29	—	40	—	49	8	348p
Shell (c)	360	9	3	22	4	32	16	"
Shell (c)	420	1½	—	5	—	12	2	"
Shell (p)	330	5	20	9	5	13	10	"
Shell (p)	360	16	10	18	10	20	—	"
		August		November		February		
Lasmo (c)	700	4	—	10	10	—	—	559p
Lonrho (c)	90	8	2	11	2	15½	4	94p
Lonrho (c)	100	3	20	5½	2	9	—	"
Lonrho (p)	90	3½	—	5½	—	8½	4	"
Racal (c)	280	97	10	—	—	—	—	376p
Racal (c)	330	47	3	64	—	76	—	"
Racal (c)	360	23	6	45	26	56	—	"
Racal (c)	390	9	27	25	5	40	—	"
Racal (p)	360	10	—	14	53	18	—	"
Racal (p)	390	26	—	29	12	31	—	"
RTZ (c)	460	82	1	100		118	—	535p
RTZ (c)	500	50	2	67	2	85	—	"
RTZ (c)	550	26	98	45	—	45	—	"

C=Call P=Put

'Have more fun with your clothes on'—Rhys David, Textiles Correspondent, reports

Clothing industry attempt at the soft sell

AN AMBITIOUS attempt to change the buying habits of the British people may soon be launched by clothing manufacturers if a scheme put forward by the industry's Economic Development Committee manages to win support in the next few weeks.

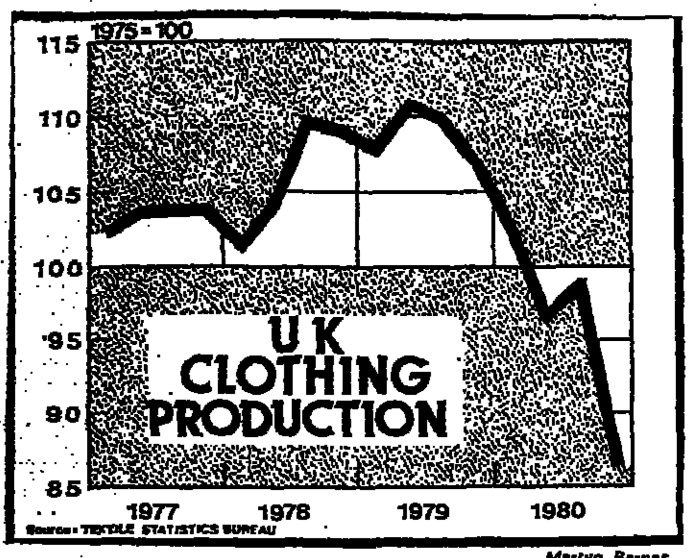
The scheme is intended to counter perhaps the most disturbing of the problems which the sector has faced in recent years: its failure to hold on to its share of discretionary spending by consumers after they have paid the food, housing, fuel and light bills. From 11.4 per cent of the total in 1974 the figure is now down to less than 10 per cent, with alcohol, transport and entertainment among the goods and services now accorded higher spending priority.

To add to the problem, Britain's clothing manufacturers have been collecting a diminishing share of the money that is spent on new jeans, shirts, and dresses as importers have increased their penetration of the market—up from 21 per cent six years ago to 31 per cent last year.

Contributing to the difficulties—as well as arising out of them—has been the failure of the industry to make its voice heard in the market place. While advertising by the do-it-yourself trade has increased 16-fold since 1970 and hi-fi equipment promotion is up seven times, in the same period the clothing sector's spending fell in real terms by about a half.

The clothing EDC suggestion for reversing this trend is an industry-based advertising campaign stressing the virtues of buying clothes generally. A London advertising agency Davidson, Pearce, was asked to come up with ideas. These have been shown to the trade over the past month at a series of five conferences in London, Glasgow, Manchester, Leeds and Leicester, and during visits by EDC officials and the agency to a total of 23 major manufacturers.

The approach chosen by the advertising agency has been to emphasise that buying and wearing new clothes can be fun and this message will be put across, if the scheme gets the go-ahead, in an advertising campaign aimed primarily at young people and concentrating heavily on television.



Martyn Barnes

The slogan in a campaign that is intended to be soft sell is "have more fun with your clothes on. Wear something new," and the shots close with the logo designed for the promotion—red and blue intertwined coat hangers on a white background.

This logo will be available to manufacturers participating in the scheme. They will be able to use it under licence from a new industry body, the British Clothing Council, alongside their own brand name on sewn-in labels and loose "swingtickets."

Before the launch, now timed for next spring—six months later than intended—there will also be a major promotional campaign aimed at the retail trade which will be offered a range of display material for use with the garments carrying the new logo, and a big public relations exercise.

The fundamental aim of the scheme, which started from an idea by the chairman of the industry's EDC, Mr Basil Feldman, is to make the British public more clothes conscious—and hence to increase the overall sales of British-made clothing. It will definitely not be run, however, as another buy-British campaign and although the logo is red, white and blue, there will not be any Union Jacks in sight.

Indeed there could even be some benefit to importers if the scheme does successfully raise the level of spending on clothing, the organisers admit.

The main stumbling block at a time when profits in the industry have been severely affected by recession is inevitably the cost. For a worthwhile campaign to be mounted it is estimated some £2m a year would have to be spent and this expenditure would need to be maintained for at least three years, according to the recommendation of Mr John Wilcox, a former International Wool Secretariat director—who has been acting as independent marketing consultant to the scheme.

The most equitable way of raising the money is reckoned to be a levy on turnover at wholesale prices. If all the firms in the industry, which last year had sales to outside customers of £4bn, were to contribute, the levy, according to Mr Wilcox, would only need to be only 0.05 per cent of sales, rising to 0.1 per cent if only half came in. Even at this level it would amount to only 1p on a £12 pair of jeans and about 10p on a £100 suit, he argues. At a later stage if the scheme is successful retailers themselves and the clothing industry's textile suppliers could also be asked to contribute.

Manufacturers who have attended the presentations—a total of several hundred altogether—have been asked to send in their comments and the response so far according to Mr James Malcolm, secretary of the clothing EDC, has been broadly favourable though with a number of reservations.

The key question worrying some firms would appear to be how, if at all, the quality standards of goods carrying the British clothing logo could be monitored. In the case of the Woolmark—which very loosely has provided the inspiration for the clothing label—manufacturers have to meet strict standards laid down by the International Wool Secretariat and are subject to regular testing. But it is obviously not appropriate to lay down similar specifications in a diverse industry like clothing where every customer is likely to be looking for something different.

At the Manchester presentation, the strong position held by retailer own-label brands in overall clothing sales in the UK was also raised as a possible obstacle to the success of the scheme. Marks and Spencer on its own accounts for one quarter of all sales of some clothing items, and a number of manufacturers make exclusively for chain stores.

At the same time, as some attending the Manchester meeting pointed out, there could also be some reluctance by some of the better known clothing manufacturers to enter the scheme on the grounds that it might dilute an existing strong brand image. Clothing EDC officials in fact accept some of the top names—for example, in knitwear, or rainwear—might decide they do not need the scheme but they believe this ought not to reduce too greatly the volume of goods that could be covered.

The campaign will in any case be aimed mainly at young people who in general are unlikely to be the purchasers of the top branded clothing items, which, because of their cost, have more appeal to older customers.

"We are putting the emphasis on the young and young-in-outlook because we believe they can have a catalytic effect on the rest of the population. We are going to try to build on the pleasurable, emotional and sensual feelings associated with wearing clothes and in this way develop sales for the industry as a whole," Mr Wilcox says.

If he is right and the industry's campaign can make this appeal, it may not put an end to do-it-yourself decorating and motor maintenance or to nights out drinking the latest lager—the areas that are capturing consumer spending at the expense of clothing. However, those who take part in these activities may feel the need to be better dressed.

High interest rates undermine profitability

Accelerating erosion of Belgian bank profits

By Peter Montagnon

IN ITS report for 1980 the Association of Belgian Banks drew attention in the bluntest of terms to the steady erosion of profitability in the country's banking sector.

"A bank which works for a year with assets of BFr 100," it said, "comes away with a profit of only 26 centimes or barely half of what it would have made in 1970."

Because of this the capital base of Belgian banks has been seriously weakened and "it cannot be repeated often enough how worrying such a development is. It threatens the whole future development of banking activity."

The figures on which its calculations were based were those reported by banks for their 1979 business year. As figures for 1980 come in, they show that far from improving, profits erosion has accentuated markedly.

Bank analysts in Brussels reckon that the 20 or so banks which had reported their results by May had collectively shown an 18.4 per cent decline in net profit. This was despite a balance sheet increase of 15.2 per cent and an 11.5 per cent growth in shareholders' funds.

Return on assets, which at these banks had in any case only been 0.0023 per cent in 1979 had slipped further to 0.0018.

The reasons for this deterioration go back to the rapid rise in interest rates over the past couple of years.

Not only have high interest rates undermined the profitability of fixed rate lending on which Belgian banks have traditionally depended; they have also led to a dramatic change in the composition of the liabilities side of banking balance sheets, pushing up sharply the overall cost of borrowed funds.

Terry Kirk

Branch of Societe Generale de Banque in Brussels

As rates rose even small retail customers of Belgian banks began to reduce their current account balances, putting more and more money into lucrative time and savings deposits.

Such a process has been seen in many countries, but in Belgium it was unusually devastating because much of the current account funds withdrawn by the public were placed not with banks in Belgium but with banks in neighbouring Holland and Luxembourg to get round Belgium's 20 per cent withholding tax.

Belgian banks were forced to buy this money back from abroad on the expensive interbank market, lending a new and peculiarly Belgian meaning to the word recycling.

"The upshot was," said one senior banker, "that money which had been costing us only 5 per cent suddenly cost 15."

A glance at the banking figures compiled by the Belgian National Bank shows just how severe the effect of this was on the global balance sheet of the Belgian banking sector.

Sight deposits at Belgian banks last year actually fell by BFr 1.3bn (£15.7m) to BFr 356.1bn while interbank liabilities soared to BFr 1,903.5bn from BFr 1,365.2bn.

None of Belgium's 80 odd banks were spared, but the effect on the bottom-line can be graphically seen in the results of the "big three" which dominate the Belgian banking scene.

Of the three only Kredietbank, whose activities are concentrated in the more dynamic Flanders region of Belgium, managed to report an increase in net profit, and then only by 1.5 per cent to BFr 1.76bn. Profits at Ste Generale de Banque, Belgium's largest bank, fell to BFr 1.91bn from BFr 1.99bn, while at Banque Bruxelles Lambert the deterioration was savage. Profits slumped to BFr 304m from BFr 705m.

As of now few bankers in Belgium see any grounds for expecting a radical recovery of the situation in 1981. True, the flight of Belgian money abroad seems to have abated somewhat, but only at the cost of a sharp increase in domestic interest rates. Some fixed rate lending has also been run off bank balance sheets, but much still remains, and banks now find their business increasingly affected by the fact that Belgium is in the throes of a serious recession.

The need for write-offs and provisions is increasing, they say and with it the problem of finding high-quality debtors who are willing to borrow money at rates of around 20 per cent.

Faced with these problems the banks are beginning to look elsewhere for income. It seems inevitable that sooner or later they will start introducing fees for services such as current account transactions that up until now have been free.

Indeed the cost to banks of running current account facilities for their customers has increased substantially with the decline in overall amounts of deposits in such accounts. The Belgian Banks Association already puts it at about 6 per cent annually of the funds in current accounts but it is being pushed upwards all the time because of an increased number of transactions made out of a smaller pool of funds.

Belgium is, however, generally admitted to be over-banked and the competitive mood of the banking industry is such that it may not be easy to impose a rigid fee structure on the general public.

Moreover the Government has recently created a new public sector bank out of the Caisse Generale d'Epargne et de Retraite (CGER), the public retirement and savings institution.

The CGER is not functioning fully as a bank as yet and it does not have the expertise in some types of business (especially in international banking) of the private Belgian banks. But it does pose a fairly major competitive threat on the retail banking side. Some bankers fear that as it is state-owned its management may pay less attention to the need for profitability than that of privately-owned banks.

For in the longer run most bankers admit that the only real change which is likely to have a fundamental impact on the banks' situation would be a shift to more lending at floating rates of interest. Such a shift is starting to take place, they say, but it will take years before it has become fully accepted.

BIDS AND DEALS

Harris & Sheldon shares suspended on offer talks

SHARES OF Harris and Sheldon, the diversified consumer products and capital goods manufacturer, were suspended yesterday pending an announcement on a possible bid for the company. The group yesterday said that discussions are taking place which may or may not lead to an offer for the equity. The shares were suspended at 32p, capitalising the company at £12.8m.

The company had no comment yesterday, and the identity of the bidder was unknown. Harris and Sheldon was the subject of another unidentified approach in mid-1978, but talks fell through. The bidder was not identified.

Group net asset value at December 31 1980 amounted to £22.5m, equivalent to 56p a share. In that year, pre-tax profits were £3.1m (£4.5m) on sales of £48.3m (£45.5m). Dividends were unchanged at 3p a share.

The directors control 5.75 per cent of the equity and the only other major shareholder is Britannic Assurance, which held 11.6 per cent of the capital as at December 31 last year.

At the half-way stage, when profits of £1.23m (£1.5m) were reported, the company forecast pre-tax profits of around £3m for the full year and Mr. James Miller, the chairman, said that if demand began to pick up for the company's products, results would be "very much better."

The company's operations range from shotgun manufacture and kitchen units to passenger and service lifts and panelling.

C. Hill board leave members to decide on consortium bid

MR RICHARD HILL, chairman of Charles Hill of Bristol says in the formal offer document for the company from a consortium headed by Mr Alastair Muir, that although the directors have not recommended the 100p per share cash offer, they unanimously felt that it was "proper and their duty for this offer to be made available to ordinary shareholders generally so that they might act as they saw fit."

As a condition of the offer being made Mr Hill and his brother Mr John Hill gave irrevocable undertakings to accept the offer in respect of some 26 per cent of the ordinary capital. These undertakings will lapse if the offer does not become unconditional.

Mr. Hill says that unless there should be some other firm proposal shareholders have three choices. They may accept the offer on the assumption that the consortium will achieve a holding of over 50 per cent, which will make the offer unconditional; they may sell their shares in the market or they may retain them as a means of continuing to share in the assets and fortunes of the company. A number of large shareholders have indicated that they do not intend to accept the offer.

Mr Hill said yesterday that no other firm proposal had been received. He said that since the original jump in the company's share price a considerable number of people have expressed interest in the company but most have since dropped out. When news of an approach was announced in mid-May the shares jumped from 42p to 90p, a rise which is the subject of a Stock Exchange investigation. When the identity of the bidder was revealed later last month the shares climbed a further 16p to 108p. Yesterday the shares were unchanged at 115p.

Mr. Hill says that the price offered represents a level which may not be sustained in the absence of an offer, having regard to the company's present trading performance and dividend prospects.

For 1980 the group reported losses before tax of £122,790 (£184,875). Trading conditions in the opening months of 1981 have proved extremely difficult and losses have continued. A revaluation of properties has thrown up a surplus of some £400,000 over book values.

Mr. Hill says that the directors and their advisers, Morgan Grenfell and Co., consider the price offered by the consortium is reasonable compared with the price prior to the announcement of the approach.

Under the offer from the Consortium — which comprises a group of individuals who are mainly Bristol-based businessmen—assuming full acceptance the shares will be acquired as to members of the consortium 20 per cent, investment clients of Montagu Loebl 60 per cent, and 20 per cent by Energy Finance and General Trust.

H. & C. has 96.2% of Lon. Sumatra

Harrisons and Crosfield has received acceptances for its offer for London Sumatra Plantations in respect of 7.91m shares (49.64 per cent). This together with the 7.42m shares held prior to the offer, which has now closed, brings the total holding to 96.22 per cent.

MERCANTILE HOUSE

Mercantile House has purchased Dahlke and Company Inc. a U.S. municipal bond broker based in New York.

The consideration is U.S.$330,000 and Dahlke's adjusted pre-tax profits for year to September 30 1980 were $198,000.

Dahlke's business is complementary to that of Mercantile House's other subsidiaries, Fundamental Brokers Inc. and JPC Brokers Inc.

The company's wholly owned international money-broking subsidiary, M. W. Marshall and Company has now opened its office in Tokyo.

ROYAL WORCESTER

Royal Worcester, on behalf of its subsidiary, Welwyn Electronics, has agreed to acquire from Sprague France its wire-wound resistor business in Tours for approximately FFr5m (£450,000). French treasury approval has been received.

A subsidiary company, Welwyn Electronique, will be formed to operate the business.

Moran's underwriting interests sale approved

SHAREHOLDERS of Christopher Moran Group, the insurance broker, yesterday approved the sale to Stenhouse Holdings for £3.1m of the group's Lloyd's underwriting agency management companies.

Before the motion approving the sale was put to the meeting Mr David Bryans, chairman, said the group had received 11,020,212 proxies, representing 169 shareholders, in favour of the resolution approving the sale. Some 6,722 proxies had been lodged voting against the sale.

In addition Mr Bryans held 18,725 proxies, representing eight shareholders, which he could use at his discretion.

Asked whether he was aware of any legal actions, prior claims, charges or any other obligations which would offset the proceeds of the sale, Mr. Bryans said that all potential claims and legal actions were mentioned in the circular detailing the sale.

Another shareholder asked whether the ruling committee of Lloyd's had forced the group to sell its agencies.

Mr. Bryans said the Lloyd's committee had not forced the group to sell its agencies, "but the restrictions imposed upon us by the committee were such that in our opinion we would not be able to exercise control over the day-to-day affairs or the development of the business which would be appropriate for a major subsidiary of ours." The board had therefore decided on a sale.

Shareholders present at the meeting voted unanimously in favour of the sale.

SHARE STAKES

City of Oxford Investment Trust—London and Manchester Assurance Company beneficially holds 240,000 ordinary shares (5.9 per cent).

Forminster—Following recent acquisitions, Monks Investment Trust now holds 250,000 ordinary shares (6.8 per cent).

H. and J. Quick Group—Lincoln Street Motors (Birmingham) has purchased a further 50,000 ordinary shares and now holds 470,000 (8.83 per cent).

Bakers Household Stores (Leeds)—Mr Barry Baker, director, sold 20,000 ordinary shares.

Stewart Plastics—Mr Charles Dugan-Chapman, director, sold 25,000 ordinary shares.

Spirax-Sarco Engineering—On June 12, 1981, Mr S. M. Haines, director, sold 25,000 shares.

Continental Union Trust—Prudential Corporation Group now holds 1,050,000 ordinary shares, representing 6.56 per cent of the issued share capital.

Marchwiel—Mr R. J. McAlpine has sold 22,000 ordinary shares.

Laird expands U.S. interests

Laird Group, the transport systems, motor components and specialist engineering products company, is further expanding its interests in the U.S. with the acquisition of Amesbury Industries for $4.2m (£2.1m).

This purchase follows the £22m acquisition last September of New York Twist Drill Corporation. This was the group's first major acquisition since emerging from the restructuring of Cammel Laird 10 years ago.

Amesbury manufactures woven pile weather seal for windows and doors and has a significant share of the U.S. market. Its business is complementary to that of Linear Textiles, a 50 per cent owned associate of the Laird Group which was established in 1979 to manufacture woven pile weather seal for the UK market.

Laird said that the combined turnover of Amesbury and Linear will provide the capability to compete with multi-national competitors in the worldwide market for weather seal products. Laird plans to develop further the joint businesses of these two companies.

Amesbury showed pre-tax profits of $500,000 for the year ended March 31, 1981. Net current assets at that date amounted to $2.6m. Of the purchase price $3.6m was paid on completion and the remaining $0.6m will be paid early next year.

Burmah nears completion of Indian deal

Negotiations between Burmah Oil and the Indian Government for the government to purchase Burmah's 50 per cent stake in Oil India are expected to be completed "later this year," according to Major General S. C. N. Jatar, chief executive of Oil India.

Talks between the two parties on the sale of the stake, which could be worth around $29m to Burmah, have been proceeding for about five years, but are now moving towards "some sort of completion," Burmah said.

FLIGHT REFUELLING AND STANLEY

Shareholders of Flight Refuelling (Holdings) have passed a resolution approving the group's planned merger with Stanley Aviation Corporation of Denver, U.S. at an egm.

If Stanley shareholders approve the plan at a meeting called for June 29, the merger is expected to become effective the following day.

COSTAIN (CANADA)

Costain Limited, a Canadian-quoted property development company which is an associate of the UK Costain Group, forecast that its earnings will be in excess of C$2.00 a share in the 1981 financial year, compared with C$0.86 in 1980.

The forecast reflects the sale by Costain (Canada) of 58.6 acres of land in Markham, near Toronto, to Sandbury Building Corporation. Costain retains an option to repurchase half of the 220 building lots, which are expected to be available for building early next year.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 22, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE	LOCAL UNIT	VALUE OF £ STERLING
Afghanistan	Afghani	111.50
Albania	Lek	10.00
Algeria	Dinar	8.3330
Andorra	French Franc	11.205
	Spanish Peseta	187.75
Angola	Kwanza	(CM) 62.936
		(T) 65.139
Antigua (S)	E. Caribbean $	5.38
Argentina	Ar. Peso Free Rate	8,782.0
Australia (S)	Australian $	1.7285
Austria	Schilling	33.275
Azores	Portugu'se Escudo	125.00
Bahamas (S)	Ba. Dollar	1.9925
Bahrain (S)	Dinar	0.748
Balearic Isles	Spa. Peseta	187.75
Bangladesh (S)	Taka	36.50
Barbados (S)	Babados $††	3.9850
Belgium	B. Franc	(cm) 77.10
		(fn) 78.45
Belize	B $	3.9850
Benin	C.F.A. Franc	560.25
Bermuda (S)	Bda $	1.9925
Bhutan	Indian Rupee	16.95
Bolivia	Bolivian Peso	49.25
Botswana (S)	Pula	1.6735
Brazil	Cruzeiro ‡‡	177.32
Brit. Virgin Isles (S)	U.S. $	1.9925
Brunei (S)	Brunei $	4.2325
Bulgaria	Lev	1.9310
Burma	Kyat	13.22
Burundi	Burundi Franc	175.190
Cameroon Republic	C.F.A. Franc	560.25
Canada	Canadian $	2.3940
Canary Islands	Spanish Peseta	187.75
Cape Verde Isle	Cape V. Escudo	73.75
Cayman Islands (S)	Cay. Is. $	1.6604
Cent. Af. Repub.	C.F.A. Franc	560.25
Chad	C.F.A. Franc	560.25
Chile	C. Peso	(Bk) 77.31
China	Renminbi Yuan	3.4906
Colombia	C. Peso	(F) 106.28
Comoro Islands	C.F.A. Franc	560.25
Congo (Brazaville)	C.F.A. Franc	560.25
Costa Rica	Colon	33.95
Cuba	Cuban Peso	1.4550
Cyprus (S)	Cyprus £	0.860
Czechoslovakia	Koruna	(com) 12.30
		n/c 21.42
		(T) 20.83
Denmark	Danish Krone	14.75
Djibouti	Fr.	320 (sg)
Dominica (S)	E. Caribbean $	5.38
Dominican Repub.	Dominican Peso	1.9925
Ecuador	Sucre	(O) 49.51
		(F) 60.26
Egypt	Egyptian £	(U) 1.39
Equatorial Guinea	Ekuele	375.5
Ethiopia	Ethiopian Birr	(P) 4.0750
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.75
Fiji Islands	Fiji $	1.7145
Finland	Markka	8.765
France	French Franc	11.205
French C'tyin Af*	C.F.A. Franc	560.25
French Guiana	Local Franc	11.205
French Pacific Is.	C.F.P. Franc	190 (sg)
Gabon	C.F.A. Franc	560.25
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.71
Germany (West)	Deutsche Mark	4.71
Ghana (S)	Cedi	5.40
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	114.3815
Greenland	Danish Kroner	14.75
Grenada (S)	E. Caribbean $	5.38
Guadaloupe	Local Franc	11.205
Guam	U.S. $	1.9925
Guatemala	Quetzal	1.9925
Guinea Republic	Syli	42.10
Guinea Bissau	Peso	75.05
Guyana (S)	Guyanese $	5.9560
Haiti	Gourd	9.9625
Honduras Repub.	Lempira	3.9800
Hong Kong (S)	H.K. $	10.945
Hungary	Forint	(com) 72.41
		(T) (nc) 65.23
Iceland (S)	I. Krona	14.221 (§)
India (S)	Ind. Rupee	16.95
Indonesia	Rupiah	1,251.70
Iran	Rial	156.90 (sg)
Iraq	Iraq Dinar	0.5975
Irish Republic (k)	Irish £	1.28825
Israel	Shekel	23.20
Italy	Lira	2,349.0
Ivory Coast	C.F.A. Franc	560.25
Jamaica (S)	Jamaica Dollar	3.5535
Japan	Yen	443.5
Jordan (S)	Jordan Dinar	0.658 (sg)
Kampuchea	Riel	2,391.0
Kenya (S)	Kenya Shilling	17.275
Kiribati	Australian $	1.7285
Korea (Nth)	Won	1.95 (ll)
Korea (Sth)	Won	1,350.50
Kuwait	Kuwait Dinar	0.556
Laos	New Kip	19.925
Lebanon	Lebanese £	8.4845
Lesotho	Loti	1.7320
Liberia	Liberian $	1.9925
Libya	Libyan Dinar	0.5900
Liechtenstein	Swiss Franc	4.095
Luxembourg	Lux Franc	77.10
Macao	Pataca	11.35
Madeira	Portug'se Escudo	125.00
Malagasy Republic	MG Franc	560.25
Malawi (S)	Kwacha	1.8060
Malaysia (S)	Ringgit	4.6065
Maldive Islands (S)	Mal Rupee	7.82
Mali Republic	Mali Franc	1,120.5
Malta (S)	Maltese £	0.774
Martinique	Local Franc	11.205
Mauritania	Ouguiya :	110.70
Mauritius (S)	M. Rupee	17.05
Mexico	Mexican Peso	48.27
Miquelon	C.F.A. Franc	560.25
Monaco	French Franc	11.205
Mongolia	Tugrik	(o) 6.51 (ll)
Montserrat	E. Caribbean $	5.38
Morocco	Dirham	10.45 (sg)
Mozambique	Metical	56.65
Nauru	Australian Dollar	1.7285
Nepal	Nepalese Rupee	23.90
Netherlands	Guilder	5.2425
Netherland Antilles	Antillian Guilder	3.5665
New Zealand (S)	N. Z. Dollar	2.3045
Nicaragua	Cordoba	19.825
Niger Republic	C. F. A. Franc	560.25
Nigeria (S)	Naira	1.267479 (sg)
Norway	Norway Krone	11.795
Oman Sul'ate of (S)	Rial Omani	0.686
Pakistan	Pakistan Rupee	19.60
Panama	Balboa	1.9925
Papua N. Guinea (S)	Kina	1.3415
Paraguay	Guarani	249.79
Peru	Sol	exe (A) 823.06
Philippines	Philippine Peso	15.475
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.3045
Poland	Zloty	(Cm) 70.22
		(T) 70.22
Portugal	Portugu'se Escudo	125.00
Puerto Rico	U.S. $	1.9925
Qatar (S)	Qatar Ryal	7.22
Reunion Ile de la	French Franc	11.205
Romania	Leu	(Cm) 8.67
		(n/c) 21.34
Rwanda	Rwanda Franc	192.16
St. Christopher (S)	E. Caribbean $	5.38
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	5.38
St. Pierre	Local Franc	11.205
S. Vincent (S)	E. Caribbean $	5.38
Salvador El	Colon	4.96
Samoa American	U.S. $	1.9925
San Marino	Italian Lira	2,349.0
Sao T'ce & Principe	Dobra	77.20
Saudi Arabia	Ryal	6.76
Senegal	C.F.A. Franc	560.25
Seychelles	S. Rupee	12.20 (sg)
Sierra Leone (S)	Leone	2.3360
Singapore (S)	Singapore $	4.2325
Solomon Islands (S)	Solomon Is. $	1.7495
Somali Republic	Somali Shilling	(A) 12.50
South Africa (S)	Rand	1.7320
South West African Territories (S)	S. A. Rand	1.7320
Spain	Peseta	187.75
Spanish ports in North Africa	Peseta	187.75
Sri Lanka (S)	S. L. Rupee	36.72
Sudan Republic	Sudan £ (1)	1.00
Sudan Republic	Sudan £ (2)	1.60
Surinam	S. Guilder	3.5665
Swaziland (S)	Lilangeni	1.7320
Sweden	S. Krona	10.015
Switzerland	Swiss Franc	4.095
Syria	Syria £	(A) 7.80
Taiwan	New Taiwan $	71.73
Tanzania (S)	Tan. Shilling	16.40
Thailand	Baht	41.2675
Togo Republic	C.F.A. Franc	560.25
Tonga Islands (S)	Ha'anga	1.7285
Trinidad (S)	Trinidad & Tob. $	4.7820
Tunisia	Tunisian Dinar	1.0150 (sg)
Turkey	Turkish Lira	213.93
Turks & Caicos	U.S. $	1.9925
Tuvalu	Australian $	1.7285
Uganda (S)	Uganda Shilling	135.00
United States	U.S. Dollar	1.9935
Uruguay	Uruguay Peso	(cm) 21.27
		(fn) 21.29
Utd. Arab Emirates	U.A.E. Dirham	7.29
U.S.S.R.	Rouble	1.4765
Upper Volta	C.F.A. Franc	560.25
Vanuatu	Vatu	170 (sg)
	Aust. Dollar	1.7285
Vatican	Italian Lire	2,349.0
Venezuela	Bolivar	8.51
Vietnam	Dong	(O) 4.3380
		(T) 4.79 (ll)
Virgin Islands U.S.	U.S. Dollar	1.9925
Western Samoa	S. Samoan Tala	2.0140
Yemen (Nth)	Ryal	8.97 (sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.6795
Yugoslavia	New Y Dinar	72.8362
Zaire Republic	Zaire	10.82208
Zambia	Kwacha	1.7550
Zimbabwe	Zimbabwe $	1.3745

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 83.70. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (ll) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kronur.

Dollar eases

The dollar eased in late trading yesterday on speculation over a possible oil embargo by Iraq and a downturn in U.S. domestic rates. Earlier in the day Fed funds had remained firm with the market paying little attention to Friday's smaller than expected rise in U.S. money supply figures. While Treasury funding requirements were likely to keep Fed funds tight, the authorities injected money into the system causing rates to ease and the dollar to weaken. Earlier in the day Citibank and Chemical Bank increased their prime rate to *20 per cent* while Euro-dollar rates eased.

Sterling was firmer against the dollar and European currencies in generally featurless trading.

European currencies showed little change within the European Monetary System. The overall Socialist win in the French elections had been widely anticipated and the French franc remained steady. The D-mark continued as the most improved currency while the Belgian franc was again the weakest.

DOLLAR — trade weighted index (Bank of England) fell to 108.1 from 108.7. The dollar finished close to its lowest level of the day. Against the D-mark it eased to DM 2.3630 from DM 2.3770 on Friday and SwFr 2.0540 from SwFr 2.0675. It lost ground against the yen to Y222.40 from Y223.25 and was lower against the French franc at FFr 5.6250 compared with FFr 5.64.

STERLING — trade weighted index (Bank of England) rose to 95.7, a level held at all three of the day's calculations, and up from 95.1 on Friday. Sterling opened at $1.99 against the dollar and eased on dollar demand to $1.9790 before recovering to $1.9850 at noon. It touched a best level of $1.9940 late in the afternoon and closed at $1.9920-1.9930, a rise of 2.15c. Against the D-mark it rose to DM 4.71 from DM 4.6850 and FFr 11.2050 from FFr 11.1150. It was also higher against the Swiss franc at SwFr 4.0950 compared with SwFr 4.0750.

D-MARK—Strongest member of the European Monetary System and slightly improved against the dollar as U.S. interest rates show signs of declining. A reduction in Germany's large balance of payments deficit later this year, reflecting the better competitive position of German exports, may sustain the recovery providing U.S. interest rates do *not rise sharply once more*—The D-Mark showed little overall change within the EMS yesterday. The French franc eased to DM 41.78 per FFr 100 from DM 41.80 while the Dutch guilder was firmer at DM 89.94 per Fl 100 compared with DM 89.9050. The dollar was fixed at DM 2.3675, down from Friday's fixing of DM *2.3863* but up from an opening level of DM 2.3575, reflecting a firmer trend in Euro-dollar rates. Sterling was fixed at DM 4.7000, up from DM 4.6950.

FRENCH FRANC—Steadier within the EMS, having been very weak after the Socialist victory in the Presidential and general election. It is supported by high interest rates but continues to fluctuate in line with the level of U.S. interest rates—The French franc was slightly firmer within the EMS after yesterday's fixing in Paris. The outright win by the Socialists had little immediate effect although the possibility of Com*munist participation* in the new Government limited the scope for any upward movement. The D-mark eased to DM 2.3935 per FFr 100 from DM 2.3939 and the Belgian franc was lower at FFr 14.6195 per BFr 100 compared with FFr 14.6285. Elsewhere the dollar was fixed lower at FFr 5.6680 from FFr 5.7150 while sterling improved to FFr 11.2490 from FFr 11.2370.

THE POUND SPOT AND FORWARD

June 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9790-1.9940	1.9920-1.9930	1.20-1.30c dis	−7.53	2.75-2.85dis	−5.62
Canada	2.3810-2.3955	2.3935-2.3945	1.50-1.60c dis	−7.77	3.65-3.85dis	−6.27
Nethlnd.	5.21-5.25	5.23¾-5.24¾	⅛c pm-⅜ dis	−0.29	1 pm-par	0.38
Belgium	76.60-77.20	77.05-77.15	18-28c dis	−3.58	54-64 dis	−3.06
Denmark	14.73-14.77	14.74½-14.75½	6⅞-8ore dis	−6.05	17⅛-18¼ dis	−4.81
Ireland	1.2830-1.2890	1.2875-1.2850	0.23-0.36p dis	−2.75	0.85-1.09dis	−3.01
W. Ger.	4.67½-4.72	4.70½-4.71½	⅛-⅛pf pm	0.64	¼ pm-¼ dis	—
Portugal	124.00-125.50	124.90-125.10	75-145c dis	−10.56	175-345 dis	−8.32
Spain	186.70-188.00	187.65-187.85	120-155c dis	−8.79	305-345 dis	−6.92
Italy	2,336-2,350	2,348½-2,349½	27¾-29¾ lire dis	−14.69	72½-75½dis	−12.60
Norway	11.70-11.80	11.79-11.80	⅞ore pm-1 dis	−0.32	2½pm-4½dis	−0.38
France	11.19½-11.23½	11.20-11.21	7¼-8¼c dis	−8.30	21½-23 dis	−7.94
Sweden	9.95-10.02	10.01-10.02	2½-3½ore dis	−3.37	6⅞-7½ dis	−2.74
Japan	438-445	443-444	1.85-1.50y pm	4.53	5.25-4.80 pm	4.53
Austria	33.10-33.30	33.25-33.30	3gro pm-2 dis	0.18	5 pm-5 dis	—
Switz.	4.07-4.10	4.09-4.10	1⅛-⅞c pm	2.66	2⅜-2⅛ pm	2.32

Belgian rate is for convertible francs. Financial franc 78.40-78.50. Six-month forward dollar 4.10-4.20c dis. 12-month 5.50-5.70c dis.

THE DOLLAR SPOT AND FORWARD

June 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9790-1.9940	1.9920-1.9930	1.20-1.30c dis	−7.53	2.75-2.85dis	−5.62
Ireland†	1.5390-1.5470	1.5440-1.5470	0.55-0.65c dis	−4.67	0.90-1.10dis	−2.59
Canada	1.2028-1.2038	1.2028-1.2031	0.09-0.13c dis	−1.10	0.30-0.35dis	−1.08
Nethlnd.	2.6275-2.6350	2.6300-2.6325	1.70-1.60c pm	7.50	3.95-3.85 pm	5.91
Belgium	38.55-38.83	38.70-38.72	17½-15c pm	5.02	31-27 pm	2.99
Denmark	7.4300-7.4515	7.4500-7.4515	1.10-0.85ore pm	1.57	1.50-1.00 pm	0.67
W. Ger.	2.3560-2.3740	2.3625-2.3635	1.46-1.41pf pm	7.29	3.41-3.34 pm	5.71
Portugal	62.70-63.00	62.80-63.00	par-30c dis	−2.86	par-80 dis	−2.54
Spain	94.20-94.47	94.20-94.25	10-20c dis	−1.91	50-70 dis	−2.54
Italy	1,177-1,181½	1,177-1,180	6½-8 lire dis	−7.38	19-21 dis	−6.77
Norway	5.9170-5.9250	5.9200-5.9250	3.80-3.30ore pm	7.21	6.75-6.25 pm	4.40
France	5.6200-5.6725	5.6225-5.6275	par-⅜c dis	−0.79	2½-3½ dis	−2.30
Sweden	5.0270-5.0330	5.0270-5.0280	1.85-1.65ore pm	4.18	3.70-3.30 pm	2.78
Japan	222.00-223.00	222.35-222.45	2.37-2.27y pm	12.52	5.85-5.75 pm	10.43
Austria	16.70-16.77	16.75-16.76	11.30-9.80gro pm	7.56	26.25-22.25pm	5.79
Switz.	2.0460-2.0610	2.0535-2.0545	1.77-1.67c pm	10.05	4.05-3.95 pm	7.79

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 22	Bank of England Index	Morgan Guaranty Changes%
Sterling	95.7	−39.5
U.S. dollar	108.1	+1.9
Canadian dollar	87.5	−17.5
Austrian schilling	111.5	+21.7
Belgian franc	105.3	+9.1
Danish kroner	86.1	−11.6
Deutsche mark	116.8	+38.8
Swiss franc	139.9	+91.4
Guilder	108.4	+14.1
French franc	82.6	−11.8
Lira	57.5	−55.7
Yen	143.9	+38.0

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.586690	0.539830
U.S. $	14	1.15408	1.05905
Canadian $	19.07	1.39152	1.27742
Austria Sch.	6¾	19.4649	17.8661
Belgian F.	13	45.0703	41.3462
Danish K.	11	8.66092	7.94886
D mark	7½	2.75384	2.52816
Guilder	9	3.06623	2.81156
French Fr.	12	6.55092	6.05406
Lira	19	1379.28	1260.27
Yen	6¼	257.750	235.909
Norwgn. Kr.	9	6.65572	6.09869
Spanish Pts.	8	109.875	100.853
Swedish Kr.	12	[illegible]	5.55137
Swiss Fr.	3	2.39921	2.20176
Greek Dr'ch.	20½	[illegible]	61.6113

OTHER CURRENCIES

June 22	£	$		£ Note Rates
Argentina Peso	8772-8792	4425-4434	Austria	32.90-33.25
Australia Dollar	1.7255-1.7305	0.8710-0.8715	Belgium	77.50-78.50
Brazil Cruzeiro	176.85-177.85	89.23-89.68	Denmark	14.68-14.83
Finland Markka	8.76-8.77	4.4160-4.4180	France	11.12-11.27
Greek Drachma	112.245-119.815	57.70-57.90	Germany	4.66¼-4.72¼
Hong Kong Dollar	10.861-10.951	5.8150-5.5200	Italy	2335-2340
Iran Rial	156.90*	79.50*	Japan	441-447
Kuwait Dinar (KD)	0.553-0.559	0.2804-0.2806	Netherlands	5.20½-5.25½
Luxembourg Frc.	77.05-77.15	38.70-38.72	Norway	11.65-11.77
Malaysia Dollar	4.6015-4.6115	2.3205-2.3225	Portugal	120-125
New Zealand Dlr.	2.3080-2.3070	1.1600-1.1610	Spain	182½-190½
Saudi Arab. Riyal	6.73-6.75	3.4095-3.4120	Sweden	9.94-10.04
Singapore Dollar	4.2275-4.2325	2.1325-2.1345	Switzerland	4.07-4.11
Sth African Rand	1.7315-1.7325	0.8690-0.8695	United States	1.98-1.99½
U.A.E. Dirham	7.26-7.32	3.6720-3.6740	Yugoslavia	71-83

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.3645	+1.39	+1.39	±1.5381
Danish Krone	7.91917	7.94464	+0.32	+0.32	±1.6421
German D-Mark	2.54502	2.52967	−0.60	−0.60	±1.1386
French Franc	5.99526	6.05151	+0.94	+0.94	±1.3838
Dutch Guilder	2.81318	2.81189	−0.03	−0.03	±1.5159
Irish Punt	0.685145	0.692305	+1.05	+1.05	±1.6688
Italian Lira	1262.92	1262.00	−0.07	−0.07	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 22	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.993	4.710	443.5	11.205	4.095	5.243	2349.	2.394	77.10
U.S. Dollar	0.502	1.	2.364	222.6	5.624	2.055	2.631	1179.	1.202	38.70
Deutschemark	0.212	0.423	1.	94.16	2.379	0.869	1.113	498.7	0.508	16.37
Japanese Yen 1,000	2.255	4.493	10.62	1000.	25.26	9.233	11.82	5297.	5.398	173.8
French Franc 10	0.892	1.778	4.203	395.8	10.	3.655	4.679	2096.	2.137	68.81
Swiss Franc	0.244	0.487	1.150	108.3	2.736	1.	1.280	573.6	0.585	18.83
Dutch Guilder	0.191	0.380	0.898	84.60	2.137	0.781	1.	448.1	0.457	14.71
Italian Lira 1,000	0.426	0.848	2.005	188.8	4.770	1.743	2.232	1000.	1.019	32.82
Canadian Dollar	0.418	0.832	1.967	185.3	4.680	1.711	2.190	981.2	1.	32.21
Belgian Franc 100	1.297	2.584	6.109	575.2	14.53	5.311	6.800	3047.	3.105	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 22)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 1/8	offer 18 1/4	bid 17 1/4	offer 17 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11¼-11½	19-19¼	19-20	11¾-12	1-1¼	11½-11⅝	19¾-20¾	20-25	12-14	6⅛-6¾
7 days' notice	11⅝-11⅞	18⅞-19⅛	19-20	11¾-12	17-18	11⅝-11¾	19¾-20¾	25-30	13⅛-15	6¾-7
Month	11⅞-11½	19⅜-19⅝	19½-19⅞	11⅞-12⅛	9 5/16-9 9/16	12 1/16-12 3/16	19¾-20¾	26¼-27¾	15¼-15½	7⅛-7⅝
Three months	12⅛-12¼	18-18¼	19-19⅜	11⅞-12⅛	10-10⅛	12⅛-12¼	19¾-20¾	24⅞-25⅞	15¼-15½	7⅝-7⅞
Six months	12 7/16-12 9/16	17⅛-17⅜	18-18⅜	11⅞-12⅛	9 11/16-10 1/16	12¼-12⅜	19⅛-19⅝	24½-25¼	15⅜-16	7¾-8
One Year	13⅛-13⅜	16¼-16½	17⅛-17⅛	11⅞-12⅛	9-9⅛	12 5/16-12 7/16	18¼-18¾	23⅝-24⅜	16¾-16 15/16	8⅛-8⅜

SDR linked deposits: one-month 15⅞-16 per cent; three-months 15⅜-15½ per cent; six-months 14 9/16-14 13/16 per cent; one-year 14 5/16-14 11/16 per cent.

ECU linked deposits: one-month 14⅞-15 per cent; three-months 14 11/16-15 3/16 per cent; six-months 14⅞-15 per cent; one-year 14 9/16-14 13/16 per cent.

Asian $ (closing rates in Singapore): one-month 19⅜-19½ per cent; three-months 17⅞-18 per cent; six-months 17-17⅛ per cent; one-year 16⅛-16⅜ per cent.

Long-term Eurodollar two-years 15¼-15½ per cent; three-years 15⅛-15⅜ per cent; four-years 15-15¼ per cent; five-years 14⅞-15⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.20-18.30 per cent; three-months 17.70-17.80 per cent; six-months 16.80-16.90 per cent; one-year 16.05-16.15 per cent.

INTERNATIONAL MONEY MARKET

Europe rates mixed

Call money rose to 11.80-12.00 per cent from 11.70-11.90 per cent in Frankfurt yesterday, but period rates showed an easier trend in line with the decline of Eurodollar rates following the *favourable U.S. money supply* figures released Friday. Overnight money in Germany was around the same level as the Bundesbank special Lombard facility of 12 per cent, but one-month money was quoted at 12.55-12.70 per cent, compared with 12.60-12.70 per cent; three-month at 12.85-13.00 per cent, against *12.95-13.10* per cent; six-month at 12.85-13.00 per cent, compared with 12.90-13.00 per cent; and 12-month at 12.65-12.80 per cent, against 12.60-12.80 per cent.

In Paris call money was unchanged at 20 per cent, but term rates were firmer. One-month rose to 19-19¼ per cent *from* 18¾-19 per cent; three-month to 18¼-18½ per cent from 18-18¼ per cent; and six-month to 17-17¼ per cent from 17-17¼ per cent. On Sunday the Socialist Party won an absolute majority in the French general election, underlining M Mitterrand's victory as President six weeks ago.

In New York Federal funds eased to 19¼-19½ per cent in early trading, compared with 22 per cent at the same time Friday. Citibank raised its prime rate to 20 per cent from 19½ per cent.

MONEY RATES

NEW YORK	
Prime Rate	19-20
Fed. Fund	19⅜-19⅝
Treasury Bills (13-week)	14.69
Treasury Bills (26-week)	*14.16*
GERMANY	
Special Lombard	12.00
Overnight Rate	11.90
One month	12.625
Three months	12.925
Six months	12.925
FRANCE	
Intervention Rate	22
Overnight Rate	20
One month	19.125
Three months	18.25
Six months	17.25
JAPAN	
Discount Rate	6.25
Call (Unconditional)	7.0625
Bill Discount (three-month)	7.53125

UK MONEY MARKET

Small help

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

Day-to-day credit was expected to be in adequate supply in the London money market yesterday, but conditions were fairly tight towards the close, and the authorities gave assistance on a small scale by buying a small amount of local authority bills and a small number of eligible bank bills from the discount houses.

The market was helped by a moderate amount of Treasury bills maturing in the market's hands, but this was offset by a moderate excess of revenue payments to the Exchequer over Government disbursements.

Discount houses paid 10¾-11 per cent for secured call loans at the start, with closing balances found at 11¾-12 per cent.

In the interbank market overnight loans opened at 11½-11¾ per cent, and eased to 11-11¼ per cent, but rose sharply in the afternoon, closing at 18-20 per cent.

GOLD

Firmer trend

Gold rose $4 an ounce in the London bullion market yesterday to close at $461-464. The metal opened at $462-465 and was fixed at $462.00 at both fixings. Trading was quiet for most of the day with little in the way of fresh news to affect the market.

In Paris the 12½ kilo bar was fixed at FFr 91,200 per kilo ($500.46 per ounce) in the afternoon compared with FFr 90,700 ($500.18) in the morning and FFr 90,600 ($493.08) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,060 per kilo ($460.63 per ounce) against DM 35,230 ($458.97) previously and closed at $461-463

	June 22		June 19	
Gold Bullion (fine ounce)				
Close	$461-464	(£232½-234)	$457-460	(£232½-234)
Opening	$462-465	(£232-233½)	$456-459	(£232¼-233¾)
Morning fixing	$462	(£232.746)	$457.75	(£233.056)
Afternoon fixing	$462	(£233.121)	$458.25	(£233.087)
Gold Coins				
Krugerrand	$476½-477½	(£240¼-240¾)	$473-474	(£239¾-240¼)
1/2 Krugerrand	$245¾-246¾	(£124-124½)	$244-245	(£123¾-124¼)
1/4 Krugerrand	$125¼-126¼	(£63¼-63¾)	$124¼-125¼	(£63-63½)
1/10 Krugerrand	$51-52	(£25¾-26¼)	$50¾-51¾	(£25¾-26¼)
Mapleleaf	$467½-470½	(£235¾-237¼)	$463-467	(£235¼-236¾)
New Sovereigns	$116-116¾	(£58½-59)	$115-115¾	(£58¼-58¾)
King Sovereigns	$127-129	(£64-65)	$127-129	(£64½-65½)
Victoria Sovs.	$127-129	(£64-65)	$127-129	(£64½-65½)
French 20s	$122-127	(£61½-64)	$121-126	(£61¼-63¾)
50 pesos Mexico	$575-579	(£290-292)	$572-576	(£290-292)
100 Cor. Austria	$452-455	(£227¾-229¼)	$447-450	(£226½-228)
$20 Eagles	$580-585	(£292½-295)	$580-585	(£294-296½)

LONDON MONEY RATES

June 22 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	11-20	11¼-11¾	—	—	11⅛-11¾	10¾-12	—	—	—
2 days notice	—	—	11½-11¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅛-11¾	11⅝-11⅞	—	11⅞	11⅞-12	11⅛-11¼	—	—	—
One month	11⅞-11¾	11¾-12	12	13-12⅝	12⅛	12⅛-12⅝	11¼	—	—	—
Two months	12⅜-12¼	12¼-12⅛	—	13⅛-12⅝	12⅝	12⅝	11¾-12	11⅞	11⅝-11¾	12⅛
Three months	12¼-12⅛	12⅜-12⅛	12⅝	13⅛-12⅝	12⅞	12⅞	12-12⅛	12⅛	11⅞-12	12⅝
Six months	12⅞-12⅝	12⅞-13	12⅞	13⅛	13	13⅛	—	11⅞-12	12⅛	12½
Nine months	13-12⅞	13⅛-13¼	—	13¼-13⅛	13⅜	13½	—	—	12⅞-12⅛	12⅝
One year	13⅛-13	13⅛-13⅜	13⅛	13⅛-13⅛	13⅛	13⅜	—	—	—	—
Two years	—	—	13⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven-days' fixed. Long-term local authority mortgage rates nominally three years 13⅞ per cent; four-years 14⅛ per cent; five-years 14⅛ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅛ per cent; four-months trade bills 12⅝ per cent.

Approximate selling rate for one-month Treasury bills 11⅝-11¾ per cent; two-months 11⅞ per cent; three-months 11 13/16-11⅞ per cent. Approximate selling rate for one-month bank bills 11¾-11 13/16 per cent; two-months 11⅞-11 15/16 per cent; three-months 12 1/16-12 3/16 per cent; one-month trade bills 11⅞ per cent; two-months 12⅛ per cent and three-months 12¼ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.9952 per cent.

Strong earnings growth at Heinz in final period

BY DAVID LASCELLES IN NEW YORK

BEATRICE ODS and H. J. Heinz, two leaders in the U.S. packaged foods business, reported improved earnings for their latest quarters yesterday.

Growth was most marked at Heinz, where profits were up 40 per cent to $55m, or $2.41 a share, compared with $39.3m, or $1.72, in the period to April 29 last year. Sales were also up sharply from $854m to $1.01bn.

Mr Tony O'Reilly, the Heinz chairman, attributed the improvement to the strength of both domestic and overseas markets, and said he hoped favourable growth trends would continue during the next fiscal year.

The latest figures brought Heinz's earnings for fiscal 1981 to $167.5m, or $7.25 a share, up from $142.8m, or $6.24 last year. Sales were $3.6bn against $2.9bn.

Beatrice Foods earnings were $81.8m or 79 cents a share, compared with $74.2m, or 72 cents, in its opening May 31 quarter last year. Sales in the quarter were $2.23bn, a small rise on last year's $2.12bn.

Mr James Dutt, the chairman, predicted that earnings for the remainder of the year would be in line with the historic 10 to 11 per cent pattern, but could be better if the economy held up.

For all of last year net profits were $304.2m, or $2.94 a share.

The company said that seven of its 10 lines of business reported first quarter earnings gains. It said its travel and recreation, dairy and soft drinks and institutional and industrial operations reported lower first quarter earnings. These sectors normally provide around 40 per cent of earnings and a slightly higher proportion of revenues.

● General Mills, another major packaged foods group, has raised its quarterly dividend to 41 cents from 37 cents. The company said results for the year ended May will "compare favourably" with its long term record of earnings per share growth at a compound annual rate of 14.2 per cent.

For the year ended May 25, 1980, General Mills reported net earnings of $170.0m, or $3.37 a share.

After the first nine months of the current year per share profits were ahead from $2.69 to $3.17 on sales ahead by almost 14 per cent to $3.59bn.

COMMERCIAL PAPER

UK groups tap U.S. market

BY OUR EUROMARKETS CORRESPONDENT

AT LEAST three British concerns have recently started issuing commercial paper in New York as the fashion grows outside the U.S. for raising funds on this market.

Two of the concerns, Bowater Scott and Unigate, are publicly-owned companies, while the other is the state-owned Finance for Industry.

Bowater, which first disclosed last summer that it was considering such a move, is raising up to $80m with the support of a letter of credit issued by Bank of Montreal. This effectively makes Bank of Montreal the guarantor of the notes and obviates the need for Bowater itself to go through the lengthy process of obtaining a credit rating from the U.S. rating agencies.

Unigate is undertaking a more conventional programme in which it itself guarantees the paper issued by a U.S. subidiary, Unigate Inc. The total amount planned is up to $30m. Finance for Industry, meanwhile, is raising up to $100m.

The names were revealed in a list of new issuers of commerical paper published by Moody's the U.S. rating agency. It also includes Algemene Bank Nederland with an amount of up to $500m, Banque Nationale de Paris, Eksportfinans of Norway with an amount of up to $100m, as well as Mexico's state-owned bank Nifinsa which has already reported plans to issue a total amount of up to $3,200m.

Bankers familiar with the commercial paper market, in which U.S. corporations lend out their surplus cash for periods ranging between one day and nine months, say they estimate that commercial paper issued by foreigners now accounts for some $15bn, or roughly 10 per cent of the total outstanding.

But the share of foreign issued appear is rising rapidly as more and more non-U.S. corporations seek to take advantage of a market that offers very flexible lending conditions and rates of interest below those available on bank loans.

Commercial paper rates have recently been running roughly a full percentage point below London Eurodollar rates, which are in turn well below the U.S. prime rate.

For the future bankers say that particular interest in issuing commercial paper is now being shown by German banks and companies which face tight conditions in their own domestic money market.

Sole bond issue helps prices in DM sector

By Peter Montagnon, Euromarkets Correspondent

WEST GERMAN banks decided yesterday to issue only one new foreign bond in the coming month. The loan, a DM 150m private placement for Renault, the French car-maker, was launched promptly las night by Deutsche Banw, as lead manager.

In the doller sector two new fixed rate Eurobonds were launched for a total value of $90m, but secondary rtdaing in all major sectors of the international bond markets was marked by some caution as dealers tried to unscramble the true trend of U.S. interest rates.

Prices of D-Mark issues managed to put on ½ point on average, but dollar issues posted gains of only ⅛ point. Swiss franc issues declined ⅛ point on balance.

Some dealers said the meagre new issue calendar agreed by the German Capital Markets Sub-committee at its monthly meeting in Frankfurt helped put some life back into the D-mark market, which had suffered sharp losses at U.S. rates rose on Friday.

But Continental investors remain convinced that the abrupt rise in U.S. rates at the end of last week was a temporary aberration of a basically downward trend. Eurodollar rates yesterday in face posted declines of up to ¾ points despite the new increase in prime rate posted by Citibank.

The Renault placement bears a coupon of 10⅜ per cent like other recent issues in the German market. It has a five-year maturity and issue price has ben set at 99¾.

The Capital Markets Committee will consider on an ad hos basis whether to launch any further issues before its next meeting on July 20. If no new issues are agreed, the amount of new paper reachig the market will be much lower than the DM 255m on offer over the past month.

The dollar issues were a $50m five-year 15⅞ per cent bond for the U.S. oil company, Natomas, led by Swiss Bank Corporation and Salomon Brothers at an indicated issue price of par, and a $40m five-year bond for the Canadian real estate concern, Trizee, through Merrill Lynch.

Pricing of the Trizee issue is open, but the lead manager was indicating a coupon of 16 per cent.

Formal launch was meanwhile expected last night for a $40m 15-year convertible bond for Hitachi with an indicated coupon of 5¼ through Nomura Europe.

● Deutsche Bank announced yesterday evening that it was increasing the volume of its issue for the World Bank from $400m to $500m. The coupon on the bonds has been held at the indicated figure of 14⅞ per cent but the price of 98⅛ per cent represents a heavy discount.

SPECULATION ON POTENTIAL PARTNERS

Merger talks push up Conoco shares

BY PAUL BETTS IN NEW YORK

CONOCO, the ninth largest U.S. oil company, traded actively in European over-the-counter dealings yesterday with its share price advancing about 10 per cent. This followed its "week-end announcement that it had turned down an offer by an unidentified" major foreign corporation to buy about 25 per cent of its stock for $2bn but had started merger talks with a major U.S. company.

Trading in Conoco shares was delayed in New York yesterday in view of a heavy influx of orders and to allow the company's announcement to be disseminated in the market.

Before the announcement, Conoco shares closed at $56.25 on Friday on the New York Stock Exchange. In Europe, the shares advanced from $56.25 to $61½ yesterday, after touching $62½.

Speculation was intense on Wall Street yesterday about the identity of the foreign buyer spurned by Conoco and that of possible U.S. merger candidates.

But Conoco continued to refuse to give details of the identity of either. However, Conoco, which is also the second largest U.S. coal producer, indicated that the possible merger partner was a U.S. company "approximately similar in size" to Conoco.

Among possible candidates to merge with Conoco are a number of mining and minerals groups, some major U.S. chemical companies, or conceivably another oil company, although this could raise anti-trust problems.

According to Wall Street oil industry analysts, oil companies have traditionally tended to turn to the mining and minerals sectors to expand and diversify their operations. In recent months, there have been a number of major bids by U.S. oil companies for mining and minerals concerns.

Some analysts have speculated that Newmont Mining and Phelps Dodge, two major American mining companies, are possible takeover candidates and could be seeking a friendly combination with a group such as Conoco, which last year had earnings of $1bn on revenues of $18.8bn. Amax, the mining and minerals company which this year rejected a $3.89bn takeover bid by Standard Oil of California, has also been considered as the possible group involved in the merger talks with Conoco.

Other sources suggested a possible combination between Conoco and a chemical company such as Du Pont or Monsanto. Chemical companies have been seeking increasingly to expand their activities in oil exploration and production and both Du Pont and Monsanto have joint ventures with Conoco.

As regards the unidentified foreign buyer turned down by Conoco, speculation has centred on Seagram, the large Canadian drinks group which recently failed in its $2bn bid to acquire St Joe Minerals.

Despite a newsagency report claiming that the Canadian company had denied it was involved in the Conoco bid, the drinks group said in New York yesterday that its position was that "we do not comment on rumours." This has been Seagram's policy since it sold its U.S. Texas Pacific Oil and Gas interests to Sun Corporation for $2.3bn last year.

Among other possible suitors for Conoco, there have been rumours that the Kuwait Investment Office had made an offer last month to buy a 25 per cent stake in Conoco for about $2bn. Last year, the Kuwaiti agency unsuccessfully sought to buy a stake in Getty Oil for $1bn.

However, the Kuwait Investment Office said in London yesteday that it had no interest in Conoco.

Another rumour yesterday pointed to a European company, possibly Elf Asquitaine of France. The French oil group is known to have been seeking for some time to expand its North American operations, possibly through a major acquisition

The latest Conoco developments come barely a month since the U.S. oil group swapped 22m Conoco shares accumulated by Dome Petroleum of Canada for the U.S. company's controlling interest in Hudson's Bay Oil and Gas, its Canadian subsidiary, after a series of stormy and acrimonious negotiations. With a $245m cash element, this deal cost Dome $1.68bn.

Bendix to sell oil survey unit for $80m

By Our Financial Staff

SEISCOM DELTA of Houston, Texas, is to buy United Geophysical, the oil and natural gas survey subsidiary of Bendix Corporation for $80m.

The sale of United Geophysical is the latest in Bendix's programme of redeploying assets. Already it has sold most of its forest products operations for $425m and its 20 per cent stake in Asarco, the base metals group, for around $340m. Bendix said the latest sale virtually completed its divestiture programme.

The previous sales resulted in net gains of almost $250m and Bendix expects to register a "substantial" gain on the United Geophysical disposal. The redeployment programme is designed to position the company in the higher technology sectors of the automotive and aerospace businesses.

Third quarter downturn at MGM Grand Hotels

BY OUR FINANCIAL STAFF

MGM GRAND HOTELS has not yet established the ultimate cost of last November's fire at the Las Vegas hotel which killed 84 people and virtually destroyed the 2,000-room complex and results for the third quarter of this year, announced yesterday, exclude $24.8m in business interruption insurance.

Net earnings for the quarter slipped from $7.7m to $7.5m or 23 cents a share, with revenues reported at $24.8m ($24.8m) against $76.8m last time.

At the nine-month stage, earnings show a fall from $24.8m to $23m or 71 cents a share, on revenues of $117.8m compared with $228.6m.

MGM Grand Hotels, spun off from the old MGM film company in June last year, operates hotels/casinos in Reno and Las Vegas, Nevada, and has plans to open up in Atlantic City, though not until the Las Vegas hotel is back on stream.

Avnet plans Carol sale

AVNET, THE largest distributor of electronic and electromechanical components in the U.S., is considering selling its Carol wire and cable subsidiary, writes our Financial Staff.

Carol, whch was acquired by Avnet in 1968, posted a pre-tax profit of $24m on sales of $237m for the year to June 30, 1980, thus generating about 20 per cent of total group sales of $1.27bn and 18 per cent of pre-tax profits of $137m.

West German cigarette group declines

By Stewart Fleming in Frankfurt

MARTIN BRINKMANN, the third largest West German cigarette manufacturer, has suffered a further slight decline in its domestic market share in the year to March 1981 and profits also declined slightly, from DM 48.8m to DM 47m ($19.8m).

The company's overseas business, however, has reported another record result with a 17 per cent rise in the number of cigarettes sold.

Brinkmann is a wholly-owned subsidiary of Rothman's International, 44 per cent of whose voting capital is owned by Rothman's Tobacco Holdings, the company in which Philip Morris, the big U.S. tobacco group, earlier this year took a 50 per cent stake. Philip Morris thus now indirectly has a 22 per cent holding in Brinkmann.

Massey to sign refinancing plan in July

TORONTO—Massey-Ferguson expects to formally complete its C$720m (U.S.$597m) refinancing programme by July 13, when a signing ceremony will take place. The proceeds will be used to reduce short-term debt and to improve Massey's working capital, he said.

Reuter

Profits drop sharply at CIT-Alcatel

By Our Financial Staff

CIT-ALCATEL, the French telecommunications equipment maker, reports a sharp downturn in consolidated net profits for the 1980 fiscal year but hopes to see an improvement this year. M Ambroise Roux, chairman of the group, said at the annual meeting yesterday that the decline to FFr 65.7m ($11.82m), compared with FFr 154.2m last year, was due to modernisation costs and a slump in the telecommunications market.

This year should see group turnover rising by about 20 per cent from the 1980 level of FFr 8.17bn.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday July 13.

Closing prices on June 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¼ 86 (WW)	55	100⅝	100⅞	−0⅛	−0⅛	15.00
Amoco 13¾ 88	75	95⅛	95⅝	+0⅛	−0⅜	14.30
CIBC 14½ 84	185	98⅛	98⅝	−0⅛	+0⅛	15.18
CIBC 15¾ 86	75	100⅞	101⅜	+0⅛	+1	14.85
CNA 15⅛ 85	75	98⅞	98⅞	—	—	15.51
CNE 12¾ 91	100	88⅛	88⅝	+0⅛	−0⅜	14.86
Citicorp O/S 12 87	200	90⅜	90⅞	−0⅛	−0⅞	14.31
Citicorp O/S 15½ 84	175	100⅞	100⅞	+0⅛	+2⅛	15.27
Con. Illinois O/S 9¾ 86	150	83⅞	84⅛	+0⅛	+0⅛	14.44
Dupont Canada 13⅞ 91	65	95⅜	95⅞	0	−1⅛	14.32
EIB 12¾ 89	75	89	89½	−0⅛	−1	15.16
Eldorado 13¾ 86	50	95	95½	+0⅛	+0⅛	14.66
Elec. de France 13 88	125	92½	93	+0⅛	−0⅜	14.74
Export Dv. Con. 9½ 88	150	82⅝	83⅛	+0⅛	−0⅛	14.83
Fed. Bs. D. 12¾ 85 (N)	50	92½	92⅞	+0⅛	−0⅛	14.61
Fed. Bs. D. 15⅜ 84 (J)	40	100⅞	101⅜	+0⅛	−0⅛	15.24
Fin. Exp. Credit 10½ 85	50	85⅛	85⅝	+0⅛	+0⅛	15.61
Finland, Rep. of 9½ 86	100	80½	81	+0⅛	+0⅛	15.49
Ford Cr. O/S Fin. 16 84	150	102⅞	102⅞	+0⅛	0	14.57
Gaz de France 13½ 88	80	95⅜	96⅛	+0⅛	−0⅛	14.73
GMAC O/S Fin. 12 87	100	88⅛	88⅝	+0⅛	−0⅛	14.90
GMAC O/S Fin. 12⅞ 88	100	91⅜	91⅞	+0⅛	−0⅛	14.90
Gen. Mtrs. O/S 11¾ 87	100	88⅛	88⅝	+0⅛	−0⅛	14.82
Genstar 14¾ 91	60	98⅛	98⅝	+0⅛	−0⅛	15.05
GTE Fin. 13¾ 86 (WW)	50	96⅛	96⅞	+0⅛	−0⅛	14.78
Hiram Walker 16 86	50	102⅞	103	+0⅛	+0⅛	15.15
IBM Wld. Trade 12½ 88	200	95½	96	+0⅛	−1⅛	13.47
IBM Wld. Trade 14¾ 84	100	100⅜	100⅞	—	—	14.47
Nat. Bk. Canada 15¾ 84	40	98⅝	99⅛	—	—	15.74
Newfoundland 13½ 90	60	94½	95	0	−0⅛	14.56
OKB 10 85	50	85⅞	86⅛	+0⅛	−0⅛	14.81
Ontario Hydro 13½ 91	100	95⅛	95⅝	+0⅛	+0⅛	14.37
Queb. Hy. 13 91 (WW)	100	89½	90	+0½	+0½	15.04
Royal Bk. Canada 14 88	100	98½	99	+0⅛	−0⅛	14.34
SNCF 13 91	75	91⅛	91⅝	0	−0⅛	14.66
Sth. California Ed. 14 87	50	97½	98	0	−0⅛	14.56
Sven Handlsbk. 13¾ 88	45	93⅞	94⅛	+0⅛	−0⅛	15.22
Swed. Ex. Credit 13 86	75	91⅞	92⅛	+0⅛	−0⅛	15.50
Swed. Ex. Cred. 15¾ 86	50	100½	101	+0⅛	+0⅛	15.50
Tordom Corpn. 15½ 86	25	†100⅞	101⅜	0	−0⅛	15.16
Toronto-Dom. Bk. 14 84	50	97⅛	97⅝	+0⅛	0	15.09
Tribune O/S Fin. 14 86	50	96½	97	+0⅛	−0⅛	14.95
Wells Fargo Int. 15½ 84	50	100½	101	+0⅛	0	15.16
World Bank 9¾ 85	200	85⅜	85⅞	+0⅛	−0⅛	14.82
World Bank 10⅛ 87	300	82⅞	83⅛	+0⅛	−1⅛	14.71

Average price changes... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	98⅞	99⅜	+0⅛	+0⅛	10.15
Austria, Rep. of 8¾ 92	150	87⅝	88	+0⅛	+1⅛	10.13
CECA 7⅞ 92	150	85⅞	88⅛	+0⅛	+0⅛	9.98
CECA 10 91	120	100⅞	101⅞	−0⅛	−0⅛	9.82
CII-Honeywell 8¾ 90	125	88⅛	88	0	0	10.36
Council of Europe 10 91	100	98⅞	99⅛	+0⅛	−0⅛	10.07
EIB 8½ 90	700	89⅛	89⅞	+0⅛	0	10.29
EIB 10½ 91	200	100⅜	101⅞	−0⅛	−0⅛	10.34
FSCOM 9¾ 87	100	91⅜	91⅞	0	0	11.16
Finland, Rep. of 10 89	100	97⅞	98⅛	+0⅛	−0⅛	10.32
Iberduero SA 9 90	100	89⅜	89⅞	+0⅛	+1⅛	10.86
Ind. Bk. Finland 8½ 90	50	88⅞	89⅛	+0⅛	+0⅛	10.75
Int.-Am. Dv. Bk. 10 91	100	100	100⅜	0	0	9.92
Japan Air Lines 8¼ 87	100	91⅞	92⅛	+0⅛	+1⅛	9.79
Japan Dev. Bk. 7⅝ 87	100	87⅞	88⅛	+0⅛	−0⅛	10.20
Kobe, City of 8 90	100	87⅞	88⅛	+0⅛	+1⅛	10.09
Midland Int. Fin. 8½ 90	150	89⅛	89⅞	+0⅛	+0⅛	10.29
Nurlebras 9¾ 88	100	86⅞	87⅛	+1	+1⅛	12.63
OKB 8¾ 92	150	86⅛	86⅞	+0⅛	+1⅛	10.26
Oslo, City of 8¾ 90	80	91⅞	92	+0⅛	+0⅞	10.23
Venezuela, R. of 9¾ 90	150	94⅞	95⅛	+0⅛	+1⅛	10.64
World Bank 8 90	700	86⅞	87⅛	+0⅛	+0⅛	10.26
World Bank 10 86	150	100⅜	101⅛	+0⅛	+0⅛	9.72

Average price changes... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	†95	96	−1⅛	+1⅛	7.15
BFCE 6½ 91	100	†95½	96	0	+1⅛	7.12
Bayer Int. Fin. 5¾ 92	100	90	90⅛	−0⅛	+0⅛	6.51
Bergen, City of 6¾ 91	40	99⅞	100	+0⅛	+0⅛	6.76
Bhrmn.-Tetterode 7 90	40	98⅞	99⅛	0	+0⅛	7.15
CECA 6¾ 91	90	95⅛	96	−0⅛	+0⅛	7.35
Denmark 5¾ 90	80	89	89⅛	+0½	+1	7.45
Dome Petroleum 5¾ 91	100	84⅞	84⅞	+0⅛	+0⅛	6.49
Elet. de France 5¾ 90	100	90	90⅛	−0⅛	+1½	6.71
Eurofima 5¾ 91	80	†98⅞	99½	+0⅛	+0⅛	5.87
F. G. H. Hypo. Bk. 6 90	50	†94	95	0	+1⅛	6.84
Finland, Rep. of 5¾ 90	80	88½	88⅞	+0⅛	+0⅝	7.37
Franc. Petroles 6½ 91	80	†95½	96½	−1⅛	−0⅛	7.08
Genstar 7 91	100	101⅛	102⅛	−0⅛	+0⅛	6.71
Int.-Amer. Dv. Bk. 7 91	100	98⅞	99	+0⅛	+0⅛	7.16
Japan Dev. Bank 5¾ 90	100	93	93⅛	−1½	−2	6.76
Mt. Blanc Tunnel 5½ 90	60	90	91	0	+0⅛	6.93
Newag 5¾ 90	80	91½	91⅞	+0⅛	+0⅛	7.03
OKB 7 93	100	95⅛	95⅞	−0⅛	−0⅛	7.06
Oslo, City of 5½ 90	80	91	91½	+0⅛	−1⅛	7.21
Philips Lamps 5¾ 92	100	89	89⅛	−1⅛	+1⅛	6.65
Swed. Ex. Cred. 7¾ 91	75	97⅛	97⅞	+1	+0⅛	7.60
Trade Dev. Fin. 6½ 90	50	92½	92⅞	+1⅛	+0⅞	7.24
Voest-Alpine 5¾ 90	80	90	90½	+0⅛	+0⅞	7.22
World Bank 6 91	100	94	94⅛	+0⅛	+0⅛	6.85
World Bank 7 90	100	101⅛	101½	−0⅛	−0⅛	6.78

Average prices changes... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 91	15	97⅛	98⅛	0	−0⅛	8.51
Australia 8½ 88	20	85⅜	86⅛	0	+0⅛	9.28
EIB 7¾ 89	12	92⅛	93⅛	0	+0⅛	9.05
Finland 5.6 83	10	90⅝	91⅛	−0⅛	−0⅛	9.91
Finland 6.8 88	10	85½	86½	0	−0⅛	9.67
Finland, Rep. of 8½ 87	15	97⅛	98⅛	−0½	−0⅛	8.79

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅞ 85 CS	60	87	88	−0½	−0⅛	14.24
CIBC 13½ 85 CS	50	94	95	−0⅛	−0⅛	15.45
CIBC 11½ 85 CS	60	86⅛	87⅛	0	−0⅛	16.03
Federal Dev. 11½ 90 CS	80	†81	82	0	−0⅛	15.61
Fst. Can. Inv. 10 84 CS	50	†86	87	0	0	16.17
R. Bk. Canada 10 85 CS	40	†89	90	+0½	0	13.02
Tordom Cpn. 13½ 85 CS	30	*†94½	95½	0	0	15.26
M. Bk. Dnmk. 9 91 EUA	25	87¼	88½	−0⅛	−1⅛	10.99
SOFTE 8¾ 89 EUA	40	87¼	88½	−0⅛	0	10.60
U. Bk. Nwy. 9½ 90 EUA	18	96	97	0	0	10.11
Algemene Bk. 10¾ 86 Fl	60	94⅞	95⅛	−0⅛	−0⅛	11.62
Amro Bank 12 86 Fl	75	100½	100⅞	—	—	11.89
Bk. Mees & H. 10 85 Fl	75	93⅛	94⅛	−0⅛	0	11.91
Heineken NV 10 87 Fl	100	93	93½	−0⅛	−0½	11.80
Nat. Nedrlndn. 10 88 Fl	60	94	94½	−0½	−0½	11.25
Ned. Midd. Bk. 10 85 Fl	75	93⅛	93⅞	−0⅛	−0⅛	12.02
Pierson 10¾ 86 Fl	50	94	94½	−0⅛	−0⅛	11.88
Air France 14½ 86 FFr	200	92½	93½	+0⅛	+1⅛	16.67
Bk. America 14½ 88 FFr	250	89⅞	90⅞	0	−0⅛	17.56
Charb'nages 13⅞ 85 FFr	400	90⅞	91⅞	0	−0⅛	16.76
EIB 14¾ 88 FFr	300	86	87	0	0	17.69
La Redoute 14¾ 85 FFr	125	87¼	88¼	−0⅛	−0⅞	18.51
OKB 14 86 FFr	400	91⅞	92⅞	0	+0⅛	16.39
Solvay et C. 14¾ 86 FFr	200	98⅜	98⅞	0	−0⅛	14.96
Swed. E. Cr. 14¾ 86 FFr	250	90	91	−0⅛	−0½	17.66
U. Mex. Sts. 14 85 FFr	150	89⅞	90⅞	0	+0⅛	17.66
Acena 14 85 £	20	93⅛	94⅛	−0⅛	−0⅛	15.90
Beneficial 14¾ 90 £	20	87⅞	88⅞	0	+0⅛	16.75
BNP 13½ 91 £	15	89⅞	90⅞	−0½	−1	15.47
CECA 13½ 88 £	20	91⅛	92½	−0⅛	+0⅛	15.31
Citicorp O/S 13½ 90 £	50	93⅛	94½	−0⅛	0	14.70
Fin. Ex. Cred. 13¾ 86 £	15	93⅛	94	0	−0⅛	15.69
Gen. Elec. Co. 12½ 89 £	50	88⅞	89⅛	−0⅛	+0⅛	14.96
Hiram Walker 14¾ 86 £	25	95⅛	96½	+0⅛	0	15.40
Privatbanken 14½ 88 £	12	92⅛	93⅛	−0⅛	+0⅛	16.33
Rothschild 14¾ 90 £	12	94⅛	94⅞	0	−0⅛	15.38
Royal Trustco 14 86 £	12	96⅞	96⅞	+0⅛	+0⅛	15.03
Swed. Ex. Cr. 13¾ 86 £	20	94⅞	94⅞	+0⅛	−0⅛	15.41
Akzo 9¾ 87 LuxFr	500	89⅛	90⅛	0	+0½	11.56
Euratom 9¾ 88 LuxFr	500	86⅛	87¼	−0⅛	−0⅛	12.86
Eurofima 10½ 87 LuxFr	500	90⅞	91⅞	0	−0⅛	12.62
EIB 9¾ 88 LuxFr	600	89⅛	90⅛	0	−0⅛	12.03
Volvo 9¾ 87 LuxFr	500	87	88	+0⅛	+0⅛	12.67

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¾ 90	0¼	99	99½	18/12	16¾	16.88
Bank of Tokyo 5¾ 89	‡0⅛	98½	99	25/7	16½	16.71
BBL Int. 5 86	0¼	98⅞	100⅛	20/11	18.31	18.29
BNP 5½ 88	‡0⅛	99	99½	28/7	16.44	16.56
CNT 5¾ 86	§0¼	99⅛	99⅞	18/10	16.81	16.90
Christiania Bk. 5½ 91	‡0⅛	98	98½	5/8	17.31	17.62
Citicorp O/S Fin. 84	‡0	99	99⅛	30/6	18⅞	19.02
C. Itoh 5¾ 87	0¼	98⅞	99⅛	18/9	15.44	15.59
Co-operative Bk. 6 88	0¼	99⅞	100⅛	15/11	19.56	19.56
Den Norske Credit 6 90	‡0⅛	98⅞	99⅛	6/8	17.31	17.51
Genfinance 5¾ 87	0¼	99	99½	30/10	16.94	17.07
Genfinance 5¾ 92	0¼	99	99½	30/6	5¼	5.29
Giro und Bank 5¾ 91	‡0⅛	98⅞	99⅛	23/8	14.06	14.22
GZB 5½ 89	‡0⅛	98⅞	99⅛	1/8	17.31	17.51
GZB 5¾ 92	‡0⅛	98½	99	5/9	17⅛	17.47
Ind. Bank Japan 5¾ 87	0¼	99⅛	99⅞	15/10	17.06	17.13
Ind. Bank Japan 5¾ 88	0¼	98⅞	99⅞	9/10	16.44	16.60
Lloyds Eurofin 8 90 £	0¼	96⅞	97⅛	3/7	14½	14.93
Lloyds Eurofin 5¾ 92	0¼	98⅞	99⅛	4/12	17.44	17.59
LTCB Japan 5¾ 86	0¼	99⅞	100⅛	13/12	17⅛	17.25
Man. Hanov. O/S 5¾ 94	‡0⅛	99⅛	99⅞	30/8	19.06	19.13
Merrill Lynch O/S 87	0¼	100½	101	7/8	20.44	20.29
Midland Int. Fin. 5¾ 92	0⅛	99	99½	5/12	17⅛	17.51
Midland Int. Fin. 9 91	0⅛	98⅛	98⅞	30/10	16.81	17.09
Nacional Fin. 6¾ 88	0¼	99	99½	25/7	17⅛	17.88
Nacional Fin. 5½ 88	0¼	96⅞	97⅛	25/9	14⅞	15.32
Nat. Bk. Canada 5¾ 88	0⅛	97⅞	98⅛	24/9	14½	14.80
Nat. West. 5¾ 84	§0¼	98	98½	14/10	16.19	16.48
Nat. West. 5¾ 92	§0¼	98	98½	23/10	16.81	17.11
Pemex 6 91	0¼	97	97½	8/10	15.31	15.75
Sparebanken 6 87	0¼	98⅞	99⅛	19/12	16.81	17.00
Standard Chart. 5¾ 90	0¼	99	99½	3/9	17.06	17.19
Svenska Hndlsbk. 5 87	0¼	99½	100	15/7	17.81	17.86

Average price changes. On day +0⅛ on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98⅞	101⅛	−0⅛	15.01
Canon 6¾ 95	1/81	829	169⅛	170⅞	−1⅛	−3.45
Credit Suisse 4¾ 93	10/79	1236	85	87	0	−1.68
Digicon Fin. 8½ 95	10/81	29.5	106	107⅛	0	9.87
Fujitsu 5½ 96	7/81	732	105⅛	106⅛	+1	15.41
Hanson O/S Fin 9½ 96	8/81	2.74	94⅞	96⅛	+1⅛	1.63
Ina Overseas 8¾ 2000	4/81	42	108½	109⅛	−2½	−0.36
Inchcape 8 95	2/81	4.56	80⅛	81⅛	−1⅛	1.77
Kotobukiya Co. 7 96	4/81	619	†96⅛	97½	−0½	−4.06
Marion Int. Fin. 9 95	12/80	15.5	78	79⅛	0	20.30
Marui 6 96	7/81	931	100⅞	101⅞	—	0.97
Matsushita El. 7½ 95	11/80	580	98⅛	99⅛	−0⅛	−2.13
NKK 6½ 96	7/81	188	117	118	−1	24.54
Ricoh 6¾ 95	8/80	604	142⅛	143½	+1⅛	−3.08
Sumitomo M. Ind. 7 95	2/81	181	144⅞	146½	−5⅛	−3.81
Swiss Bk. Cpn. 6¾ 90	9/80	200	74½	76½	+0⅛	24.21
Taylor Woodrow 8¾ 90	1/81	4.94	90⅛	92	+1⅛	1.34
Tokyu Land Cpn. 7¾ 96	4/81	326	99½	100⅛	+1⅛	9.49
Transco Int. 8¾ 95	2/81	68	80⅛	82	+0⅛	39.83
Tricorp 8½ 95	12/80	31.25	82	83⅛	+1⅛	12.98
Union Bk. Switz. 5 89	2/80	70.79	74	76	0	4.48
Fujitsu 5 84 DM	7/79	431.5	189½	190⅛	+1½	−0.40
Sharp Cpn. 6½ 88 DM	9/80	586	187⅛	188⅛	−1⅛	−2.30
Uny Co. 6½ 85 DM	11/79	879.3	118⅞	119⅛	−0½	−2.93

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Sharp setback for Valeo after heavy loss at SEV

BY TERRY DODSWORTH IN PARIS

VALEO. THE French vehicle components group, saw profits reduced sharply last year after heavy losses in its SEV electrical equipment division.

SEV, one of the most rapidly growing organisations in the French industry during the 1970s, was hit by the fall in the international market, along with stiff pdice competition worsened by the relatively high rate of domestic inflation and the rise in interest rates. The company says that its competitive position was particularly undermined by the over-valuation of the franc against the D-Mark and the yen.

These factors led to net consolidated losses at SEV of FFr 77.5m ($14m) against profits of FFr 58.5m in 1979. Sales rose by only 1.8 per cent in cash terms to FFr 2.8bn. Cash flow dropped to FFr 58.6m compared with FFr 117m.

SEV's poor results were offset to some extent by Valeo's other divisions, which manufacture a variety of components including brakes, clutches and radiators.

Total group sales rose 11.5 per cent to FFr 6.5bn after adjustments to take account of changes in accounting methods. Net consolidated profits dropped from FFr 217m to FFr 44m, with cash flow falling from FFr 500m to FFr 357m.

During the current year, SEV says that although there has been a recovery in the replacement parts business, its sales to the car manufacturers remain at a low level because of a 20 per cent drop in vehicle output. Despite streamlining and a reduction in SEV's labour force by about 1,500, the company is still sustaining losses.

Valeo says, however, that there ought to be an improvement in the overall group results after a number of economy measures. The company is forecasting a sales rise of about 12.5 per cent. Meanwhile it will continue efforts to diversify further out of vehicle components.

Deficit mounts at Svenska Staal

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SVENSKA STAAL (SSAB), the Swedish steel company in which the state has a half share, returned a pre-tax loss of SKr 584m ($117m) last year, bringing its total losses since its formation in 1978 to almost SKr 1.7bn.

The 1980 annual report does not give a forecast for the current year but the board of directors was informed last week that the 1981 loss may be even larger.

Group sales last year rose by 78 per cent to SKr 7.3bn. The growth, however, came largely from Tibnor, the steel wholesaling company acquired by SSAB during the year. Steel deliveries actually declined by 2 per cent. SSAB accounts for nearly 70 per cent of Sweden's output of ordinary steel.

In March this year the board decided on reductions in capacity in addition to those planned in the original five-year restructuring programme. The new measures included the closure of two blast furnaces.

By the end of 1980 SSAB had used the larger part of the SKr 1.8bn in loans granted by the Riksdag (parliament) in 1978 to cover its losses while the restructuring programme was being implemented.

The cost of the structural investments decided on had reached SKr 2.5bn, of which the lion's share has gone to a new strip and thin plate mill at Borlänge in central Sweden.

The 1980 report notes that even after completing the reorganisation, SSAB will not have an effective structure. The drawback is that steel will still be produced at three relatively small geographically dispersed steel works.

With "some adjustments," however, the restructuring programme is considered to offer the best possible solution for the next decade. In the longer run the Swedish steel industry will "probably take on a different shape."

The Government has been negotiating for several months with the minority shareholders, Electrolux/Gränges and Stora Kopparberg, about a new capital injection for SSAB. Each company holds a 25 per cent stake.

The Ministry of Industry has made a deal allowing Electrolux/Gränges to sell its power plants to the state power board on the condition that it agrees to new capital for SSAB.

Four-month reverse for Borregaard

BY FAY GJESTER IN OSLO

BORREGAARD, the Norwegian industrial group, saw pre-tax profits fall to NKr 30.1m ($5m) in the first four months of 1981 from NKr 41.4m a year earlier, despite an increase in sales. It says the decline reflects a marked increase in operating costs in Norway, coupled with poor demand on export markets as a result of the recession.

The profit figure for 1981 as a whole is expected to be down on last year, though somewhat better than originally foreseen. The recent sharp rise in the value of the dollar has increased kroner income from sales of cellulose, but it has also raised the kroner cost of some of Borregaard's raw materials.

Group liquidity is described as good. To help finance investment projects a NKr 75m bearer bond was floated on the Norwegian market and an international bank consortium is arranging a $25m multi-currency loan. During the four months a DM 50m loan was repair, according to plan.

Group turnover in the January to April period was NKr 1.12bn compared with NKr 1.02bn a year earlier. The increase was most marked for foodstuffs.

Girard again misses payout

By John Wicks in Zurich

GIRARD-PERREGAUX, the Swiss watch company, is to pass its dividend again for 1980 after booking a loss for the year of SwFr 1.95m ($940,000).

The trading loss occurred despite an 11.6 per cent rise in sales and a 12.9 per cent increase in group turnover to SwFr 27.9m ($13.4m).

In 1979, when the company had a deficit of SwFr 3.1m, control of Girard-Perregaux was acquired by Desco von Schulthess, the Zurich trading house.

In this year's annual report, the board attributed the further loss to poor market conditions and the "growing obsolescence" of both watches and movements. The company has found it necessary to write off an additional SwFr 835,000 on merchandise in hand and make corresponding provisions for SwFr 733,000.

Enka sees little recovery in European operations

BY OUR FINANCIAL STAFF

ENKA, the fibres division of Akzo, the Dutch chemicals group, expected its European group to suffer a further loss this year after last year's deficit of DM 314m ($132m), Herr Hans Guenther Zemperlin, chairman of Enka's managing board, said yesterday

The loss could be smaller than in 1980, he said, if the group managed to introduce further price rises for its chemical fibres and if other sectors maintained earnings levels seen in the first half of this year.

The group showed a loss in the first five months of 1981 but turnover rose 3 per cent from the year ago period to Fl 1.77bn ($670m).

Enka's chemical fibres deliveries in the first five months of 1981 rose 7 per cent to 184,000 tonnes, as a result of stock purchasing in expectation of higher prices and larger export shipments to non-European countries, Herr Zemperlin said.

He added, however, that at present there were no signs of a revival in West European chemical fibre demand, although the company did expect higher sales this year.

Herr Zemperlin said Enka expected talks with Northern Ireland authorities about the possible closure of the loss-making British Enkalon subsidiary there to be concluded in the next few days.

No final decision had been taken on the number of workers to be affected by the planned reductions in Enka's 30,000 European workforce, although the Breda plant in the Netherlands would definitely be closed.

Largest HK share issue for property developer

By Kevin Rafferty in Hong Kong

HENDERSON LAND Development Company, a newly formed concern, is to raise HK$1bn (US$182m), by floating 250m shares in the colony's largest new share issue. It will be Hong Kong's second new issue since the lifting of a two-month moratorium in May.

It is twice the size of the most recent new issue, by International City Holdings, the property development and investment company, and HK$300m more than the previous largest new issue in Hong Kong. The immediate cash call, however, will be lower, at HK$400m.

The shares offered represent 19 per cent of the issued share capital of the company, and will be divided into 50m units. Each unit will consist of one ordinary share of HK$2 par value, at HK$4 per share payable on application, and four ordinary shares payable as to HK$1 on application and the balance in two instalments, of HK$1.50 each, payable on December 31 this year and June 30 next year. The minimum application will be 1,000 units, equalling 5,000 shares.

The company will thus raise HK$400m on flotation, a further HK$300m at the end December and another HK$300m at the end of June next year.

One reason for making the issue in fully and partly paid form is to restrict the drain of liquidity from the market, which earlier in the year faced the threat of a spate of new issues, largely concerned with property. At that time the stock exchanges imposed the moratorium, lifted last month. The exchanges are trying to operate an unofficial new issue queues, with about one new issue a month.

The International City Holdings issue met with great success, being more than 11 times oversubscribed. But the company is one with an excellent pedigree, with Mr Li Ka-Shing, chairman of Cheung Kong and Hutchison Whampoa, as its chairman, and with the participation of Hongkong Electric, Wheelock Marden and Hongkong Land.

Shortly after the success of the International City Holdings offer, the Hang Seng Index hit an all-time high of more than 1,780, but it has since fallen, and yesterday slipped below 1,700 on profit taking.

Henderson Land will be the principal property development arm of Henderson Development, which will hold 70 per cent of the new company. The chairman and principal shareholder in Henderson Development is Mr Lee Shau Kee, who is also chairman and managing director of Wing Tai Development Company, a quoted company with strong property interests. There are plans to amalgamate the property development companies of Henderson and Wing Tai.

The full prospectus of the new issue, which will be one of the bulkiest Honk Kong has seen because it will include details of 54 properties, is expected to be available within 10 days.

Iberduero profits decline and dividend cut

BY ROBERT GRAHAM IN MADRID

IBERDUERO, SPAIN'S largest utility company, has experienced a 15 per cent drop in 1980 profits to Pta 17.29bn ($192m) and has reduced its dividend from 11 per cent to 10.5 per cent.

Low rainfall was a principal factor in Iberduero's lower profit, as in a high rainfall year it is able to rely on hydro-electricity for 70 per cent of its needs. With low rainfall last year and its one active nuclear reactor, at Santa Maria de Garona out of action for much of the year, Iberduero was obliged to resort more to using costly oil.

Another was the company's heavy programme of investments, amounting to Pta 42bn last year, which involved considerable financial costs, especially with higher interest rates.

Also, the company has a continued major problem with its twin nuclear power plant at Lemoniz near Bilbao, now two thirds complete. Iberduero has invested well in excess of $1bn in the plant but a cloud hangs over its future.

The militant Basque separatist organisation, Eta, has vowed to prevent it from functioning, and in February this year kidnapped and murdered its chief engineer, Sr Jose Maria Ryan. Since then little work has been done at the plant and Iberduero has been awaiting a decision from both the Madrid Government and the Basque Government.

The feeling now is that they will support fully *the plant's* operation, which would remove the uncertainty. However, the company's annual report points out that last year 38 attacks by Eta against Iberduero installations in the Basque country cost Pta 101m. The number of attacks this year has already exceeded this total.

Midway setback at Olympus Optical

BY YOKO SHIBATA IN TOKYO

OLYMPUS OPTICAL, the Japanese manufacturer of cameras and optical instruments, suffered a setback in parent company earnings for the six months to April 30, 1981 because of the higher exchange rate of the yen.

Operating profits fell by 13.3 per cent to Y6.53bn ($29.2m) on sales up 5.8 per cent to Y49.61bn ($222m). Net profits were 5.4 per cent lower at Y3.44bn and profits per share were Y28.91 compared with Y35.60. The interim dividend is increased from Y4.5 to Y5.50.

Sales of cameras, the company's principal product, grew by 10 per cent to account for 53.8 per cent of the total, despite tougher competition in the compact SLR camera market.

Fiberscope sales were affected by sluggish exports and increased by only 3 per cent to account for 27.1 per cent of the total. The microscope division, including measuring equipment, medical equipment, industrial lenses, and plain paper copiers, gained by 14 per cent in sales to account for 17.5 per cent of the total.

Exports rose by just 4 per cent to account for 68.1 per cent of turnover. The slowdown in exports was caused by the yen's appreciation and is mainly blamed for the setback in earnings. Slower sales of profitable fiberscopes also contributed to the decline, as did a sharp rise in depreciation charges.

The company has invested Y12bn in the current year on new plant for cameras and optical disc pick-ups. Capital expenditure in 1980 was Y10.6bn.

Olympus is aiming to increase full year sales by 9 per cent to Y105bn, with the introduction of a new compact autofocus lens-shutter camera (in April) and increased production of microscopes. Sales of the "THOHS" pick-up system for video discs and digital audio equipment, which started commercial production in the current half year, are not expected to make a large contribution.

Because of the yen's appreciation, the company expects unchanged operating profits of Y13.5bn, but net profits are forecast to grow by 9 per cent to Y6.9bn.

FEC in offer for Cheong Sun

BY ADRIAN BOVEN IN HONG KONG

FAR EAST Consortium announced yesterday that it had agreed to buy 53 per cent of a small property development company, Cheong Sun, from two of its directors for about HK$6.50 a share and would soon make a general offer on the same terms for all of the shares, as required by the Hong Kong takeover code.

FEC will pay the two directors about HK$113m for their 17.5m shares on the basis of 465 FEC shares, valued at at HK$7 each, plus HK$3,250 in cash for every 1,000 shares of Cheong Sun. FEC closed on the market yesterday at HK$6.55 and on the basis of that price the deal is worth about HK$6.30 a share for each Cheong Sun share, valuing Cheong Sun at some HK$208m (US$38m).

Cheong Sun has about 15 properties under development in Hong Kong and is rarely traded on the stock market. FEC, in contrast, is actively traded, and has been prominent recently in property development and organising new companies for flotation. Acquisition of Cheong Sun would give it about 40 properties under development.

FEC said it intended to maintain a listing for Cheong Sun.

* * *

THE GREAT EAGLE Company has announced profits for the six months to March 31 of HK$62.92m (U.S.$11.4m) up 95 per cent from the HK$32.28m of the same period last year, and has also reported extraordinary gains of HK$21.1m.

The interim dividend was set at 6 cents a share, up an adjusted 22 per cent from the previous year, and will be paid in the form of shares to be valued on the basis of a five-day trading average in August. Shareholders will have the option of taking the dividends in cash.

Great Eagle drew the attention of the market in November last year when it floated a hotel owning subsidiary, Regal Hotels, which in turn floated a property development subsidiary, Paliburg Investments.

Guthrie Berhad executive for PICA

By Georgie Lee in Singapore

THE MULTINATIONAL investment group, Private Investment Company for ASIA (Pica), has appointed Sir Anthony Hayward as president and chief executive officer from January next year. He will succeed Mr Kerry St Johnston.

Sir Anthony is currently the managing director of Guthrie Berhad in Singapore but will leave this post to take up the new appointment. Guthrie Corporation of the UK recently sold its entire stake in Guthrie Berhad to Multi-Purpose Holdings of Malaysia.

India supports company borrowing abroad

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government is to encourage private sector companies to borrow from foreign "quasi commercial lending" institutions like the International Finance Corporation (IFC), the affiliate of the World Bank. It is drawing up a list of companies with suitable projects to expedite the granting of such loans.

So far, private Indian companies have gone to foreign commercial markets in a limited way, and have borrowed from the IFC on a smaller scale than companies in other countries because of the Government's policy of discouraging these loans. The main loans from the IFC in recent years have been to the Tata Iron and Steel Company for $38m, Coromandel Fertilisers, $15.87m, and Deepak Fertilisers $7.5m.

The change in policy has been made for two reasons. The first is the difficult foreign exchange reserves position caused by a heavily adverse balance of payments. The second is the implied decision to encourage the private sector to grow more rapidly and contribute to the country's development. So far, nearly all loans from abroad have been either to the Government or to public sector companies.

IFC and other similar lending institutions charge an interest rate of 14 per cent, which is much lower than the 17 per cent to 24 per cent available in international capital markets. The decision has been widely welcomed.

Under the country's sixth five year plan, for the period 1980-85, the Government plans to obtain nearly Rs50bn (about $6.5bn) in commercial loans for development purposes in the public sector from world capital markets. This will assist the raising of resources and ease the reserves position; now, a similar role is envisaged for the private sector.

A contributory factor to the decision is the sharp deterioration in the world aid climate, as discovered by the Indian delegation to the recent Paris meeting of the Aid India consortium of 14 countries. In real terms, the $3.45bn pledged for the year is much less than last year's pledges of $3.2bn

Loans from the IFC and other institutions will help, in particular, because they will be available immediately, and can be used for purchases at current prices.

Changes at EMI Music International

From October 1 Mr Alan Boxer is appointed managing director, EMI MUSIC INTERNATIONAL, London. Mr Guy Marriott has been appointed regional director, Middle East, North Africa and Greece, in succession to Mr Boxer. Mr Malcolm Brown, previously regional director South East Asia, has been appointed director business affairs and copyright in succession to Mr Marriott from September 1. He also succeeds Mr Marriott as secretary to the EMI Music worldwide management board. From July 1 Mr Neil Sarsfield is appointed regional director, South-East Asia, in succession to Mr Brown, and Mr K. K. Wong is appointed managing director Hong Kong.

*

Mr Robert Stevens has been appointed a member of the presidential council of the WESTMINSTER CHAMBER OF COMMERCE.

*

Mr John Peisley and Mr John O'Connor will be admitted to the partnership of McCAUGHAN DYSON AND COMPANY, Australian stock and share brokers, from July 1. Mr Peisley will remain as London manager.

*

Mr John R. Etor has been elected vice resident of the ASSOCIATION OF COST AND EXECUTIVE ACCOUNTANTS' with special responsibility for developing the Association's diploma programme.

*

RACAL-DANA INSTRUMENTS has appointed Mr Paul Francis as director of operations with responsibility for co-ordinating the company's high technology manufacturing activities in the UK based at Maidenhead and Wallingford.

*

Mr Gordon Crawford and Mr R. Derek Webb, directors of CABLE BELT, are to retire on June 30 1981. Mr Crawford will continue his association with the company as a part-time consultant.

*

Mr Alex G. Gibbins has resigned from the board of DUPLE INTERNATIONAL to concentrate on his new role in Duple Services. Mr Geoffrey B. Church has retired from the board in anticipation of his retirement from executive employment in August. No new appointments to the board are envisaged. It is the intention to operate as a holding company.

*

Mr Patrick Gee has been appointed managing director of ROADCHEF, motorway service area company. He succeeds founding managing director Mr Clive D. Lindley, who remains chairman of the company, part of the LCI Group. Mr Gee remains financial director and company secretary of the LCI Group. Mr Mike Stunell, formerly Roadchef's chief accountant, becomes the new company secretary.

*

Mr H. E. Trevan-Hawke has been appointed chairman of TILHILL FORESTRY ADVISORY.

*

Mr Terry Warburton, manager, public affairs, for British Rail Property Board, has been appointed public affairs manager for BRITISH RAIL SOUTHERN REGION, based at Waterloo. He succeeds Mr Bryan Minks, public relations and publicity officer, who has retired.

*

Mr I. R. Glenday is appointed manager, corporate planning, and Mr A. W. O'Neill is appointed to the new position of coal development manager at ESSO PETROLEUM.

*

Mr F. W. Brown has been appointed a director of BSR.

*

Mr Michael Orr, managing director of the Colt Car Company, Cirencester, has become chairman and chief executive. Mr Jack Morris-Marsham, marketing director, has been made managing director. Mr David Blackburn, retiring chairman, will remain with the company as non-executive director and consultant with extensive interests abroad. Divisional board appointments made are Mr Robert Yarworth as director of administration and executive assistant to Mr Orr; Mr Colin Peirce, marketing director; and Mr Brian Hacker, director of parts and service. Mr Peter Cleaver, who was general manager of Colt Cars Mid-West, is now managing director of that company.

*

Mr Tony Kelley, at present managing director of Greencoat Properties, has been appointed joint managing director of CALA PROPERTIES, a subsidiary of the City of Aberdeen Land Association, with effect from August 1.

*

Air Vice Marshal John Robson Rogers is to be Air Member for Supply and Organisation from July 4, with the acting rank of Air Marshal, and a member of the AIR FORCE BOARD of the Defence Council. He will succeed Air Chief Marshal Sir Rex Roe, who will be retiring from the service.

*

Mr D. G. Stephens has taken up the post of general manager of the BRITISH COUNCIL OF PRODUCTIVITY ASSOCIATIONS. Mr David Bailey's appointment as director of the BCPA ceased on May 31.

*

Mr Bill Barry is to become managing director of FOOT CONE AND BELDING (ADVERTISING) on July 1. Mr Bill Kiely will remain chairman.

*

Mr P. T. Bridgman has been appointed group managing PARTNERS from July 1 to partner of URWICK ORR AND succeed Mr J. R. Armstrong, who is retiring. Mr Bridgman was formerly managing director of Urwick Dynamics.

*

Mr Jeremy Wyatt has been appointed group executive, communications, of JOHN BROWN AND CO.

*

Mr Fabian K. vom Hofe has been appointed a vice-chairman, and Mr David J. A. Craig has become deputy managing director of MORGAN GUARANTY LTD, London.

*

Mr Buchan Marshall is to become chief general manager of the GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION from July 1 to follow the retirement at the end of this month of Mr David Blaikie. Mr Blaikie will retire as a director of TRADE INDEMNITY on June 30.

*

Mr G. E. S. Robbins has been appointed to the newly created post of director of overseas and corporate development of BULL MOTORS, Ipswich. He has been succeeded as marketing director by Mr E. Kraft, who joins the company from Delta Group.

*

Mr John Dungworth has been appointed a director of MANSTON (CONTRACTORS)

*

Mr Sam Marshall has been appointed finance director of COMFORT HOTELS INTERNATIONAL.

*

Mr Cleve Vine has been appointed managing director of TBL BOOK SERVICE in place of Mr Michael Goldsmith, who was recently appointed managing director of Sphere Books. Mr Vine takes up his new position on August 1. The companies are members of the Thomson Organisation group.

*

Mr Colin Leventhal, at present head of copyright at the BBC, will be joining CHANNEL FOUR TELEVISION COMPANY in July as head of programme acquisition for Channel Four.

*

Mr B. G. Hayden has become UK client liaison director of LESLIE AND GODWIN (UK) and Mr R. A. C. Kauntze has been made southern regional director. Mr C. Wacey is now London director, and Mr M. C. Hughesdon has been appointed to the board.

*

Mr P. E. T. Spencer has been elected president of the INSTITUTE OF QUANTITY SURVEYORS and Mr R. S. Clarkson has become senior vice president. Mr J. E. Revis and Mr E. J. Hall are vice presidents and the immediate past president is Mr E. W. J. Ashford.

*

Mr James Price-Haworth, formerly manager of the Cornhill office in London of the CO-OPERATIVE BANK, has been appointed assistant general manager (branch operations) southern region. Mr Lewis Wilkinson continues to be responsible for the bank's branches in the north.

*

Mr Geoffrey Robinson has become production director of Mardon Son and Hall following the retirement of Mr Ron Reed. Mr David G. S. Palmer has been appointed managing director of Browne and Day. Mr Martin Willis has been made secretary of Cundell Sheet Plants and four of its subsidiaries.

Mr Maurice E. Chatten is to resign from the board of Mardon Flexible Packaging from June 30 to take up a directorship in Kenya. Mr Alec A. Benham also retires from the board of that company at the end of this month. On July 1, Mr Christopher R. Streat will become technical director of Mardon Flexible Packaging; Mr Glyn T. Williams is to be sales director; Mr Keith A. Tanner, site director at Midsomer Norton; and Mr Robert C. Payne, finance director, continuing as secretary.

The companies are group members of MARDON PACKAGING INTERNATIONAL.

*

Lord Birdwood and Lord Kilmarnock have become vice-presidents of the INSTITUTE OF SALES AND MARKETING MANAGEMENT.

*

Mr K. J. Powling has been appointed a director of ROBERT KITCHEN TAYLOR AND COMPANY.

*

Mr Norman Clark is retiring from his full-time executive responsibilities as managing director of ASSOCIATED LEAD MANUFACTURERS from July 1. Mr Roy Whittaker, at present assistant managing director, has been appointed managing director. Mr Whittaker is also general manager of the company's metals and chemicals divisions.

WORLD STOCK MARKETS

Early Wall St. rise falters

AN INITIAL firming tendency on Wall Street yesterday later faltered, leaving the market only slightly ahead at mid-session after fairly active trading.

News that Federal Funds rates were easing and the Federal Reserve had added money to the banking system gave the market an early boost. However, the rally was halted when Chemical Bank and Citibank later raised their Prime Rates to 20 per cent.

The Dow Jones Industrial Average had an initial three-point rise trimmed to a net gain of 1.62 at 997.81 at 1 pm. The NYSE All Common Index was 13 cents up on balance at $76.88, after reaching $76.97 at 11.00 am, while rises led falls by only a seven-to-six ratio at mid-session. Turnover decreased to 30.15m shares from last Friday's 1 pm level of 35.62m.

United Guaranty was up 3⅞ to $34½ after receiving a take-over bid from American International.

Smithkline fell 4¼ to $76. It announced on Friday that the Justice Department may investigate its reporting procedures for a certain drug.

THE AMERICAN SE Market Value Index was 0.77 higher at 371.38 at 1 pm after volume of 3.67m shares (3.41m).

Aegis led the actives list and put on ⅞ to $3⅞. Also active was Data Products, up ⅛ to $28¼, and Gulf Canada, down ½ to $22⅞.

Canada

Markets were easier-inclined in moderate trading yesterday morning. The Toronto Composite Index declined 11.3 to 2,339.3 at noon, while Golds receded 23.2 to 3,839.7, Oil and Gas 13.6 to 4,946.1 and Metals and Minerals 6.3 to 2,331.3.

Most active Dome Petroleum eased ⅛ to C$23, followed by Gulf Canada, off ¼ at C$27½.

Massey-Ferguson gained 5 cents to C$3.80. The company expects to formally complete its C$720m Canadian refinancing programme by July 13. Mitel dropped 2⅞ to C$36½.

Tokyo

Steels, Shipbuilders, heavy Electric Machines, Precision Instruments, Light Electricals, Motors and other populars declined on light selling, with investors cautious of possible tighter restrictions on margin transactions due to high outstanding purchases in trading.

Uncertainties over the Iranian situation and U.S. interest rates also dampened sentiment, but some low-priced issues, such as Constructions and Foods, firmed on bargain hunting, while Natural Resources shares advanced.

The Nikkei-Dow Jones Average slipped 45.71 to 7,668.86 from last Friday's record closing high, while the Tokyo SE index receded 3.65 to 573.52. There was a further sharp contraction in trading volume to 230m shares (360m).

Nippon Steel dipped Y5 to Y210, Nippon Kokan Y6 to Y228, Hitachi Y19 to Y677, Mitsubishi Heavy Y8 to Y305, Mitsui Shipbuilding Y7 to Y218 and Hitachi Shipbuilding Y5 to Y221.

Sony lost Y100 to Y4,940, Matsushita Electric Y50 to Y1,600, Nippon Electric Y17 to Y810, Fuji Photo Y60 to Y1,600, Canon Y50 to Y1,460 and Nissan Motor Y34 to Y996.

Bridgestone fell Y55 to Y537 on speculation that its earnings may be declining and that its joint venture in Iran may face trouble because of recent political developments in that country.

However, Takeda Pharmaceutical put on Y14 to Y850, while among Natural Resources issues, Nippon Oil rose Y33 to Y982, Teikoku Oil Y26 to Y718, Dowa Mining Y14 to Y325 and Mitsui Mining Y9 to Y429.

Paris

The market was mixed with a firm bias after quiet dealings, with the landslide victory of the Socialist Party in Sunday's legislative elections provoking no apparent reaction.

Traders said the result, which gives the Socialists an outright majority in Parliament, had been largely anticipated. "It came as no surprise," one broker said, noting that the selling observed since the victory of Francois Mitterrand in the Presidential Election on May 10 had already pushed the market indicator 17 per cent below its level ruling at the start of the year.

In yesterday's session, the market indicator managed to pick up 0.67 per cent. Gains outnumbered declines in the French section by 91 to 79.

Market observers said the main subject of concern discussed on the Exchange floor following Sunday's vote was whether or not the Mitterrand Administration will name Communists to ministerial posts in the new Government, which is expected to be revealed within the next few days.

Leading stocks to move included BSN Gervais-Danone, up FFr 30 at FFr 930, Beghin-Say, down FFr 3 at FFr 168 and Esso SAF, off FFr 4 at FFr 153.5.

Peugeot, whose Citroen subsidiary announced a contract to sell cars to East Germany, gained FFr 6.3 to FFr 135.8, while L'Oreal rose FFr 16 to FFr 648 on announcing plans for expansion in the U.S.

Germany

Bourse prices mostly improved, helped by foreign buying and a firmer Domestic Bond market. The Commerzbank index gained 3.3 to 736.1, a new high for the year.

Among a strong Chemicals sector, BASF advanced DM 2.30 and Hoechst DM 1.70.

Public Authority Bonds recorded gains ranging to 55 pfennigs, but also some losses extending to 40 pfennigs. Deutsche Bundesbank sold DM 20.6m of paper to balance the market after purchases totalling DM 23.5m on Friday.

Hong Kong

Stock prices continued to retreat in the absence of clear signs that high U.S. interest rates will be heading down soon. The Hang Seng index fell steadily to close below the 1,700 mark at 1,677.36; down 28.12 on the day. Turnover on the four exchanges picked up slightly to HK$655.6m from Friday's HK$626.4m.

Brokers said institutional and foreign investors stayed on the sidelines, with local investors interpreting their reticence bearishly. "Foreign money and institutions were leading the market up before. Without that stimulus now, the local punters are a bit nervous," commented an analyst.

Jardine Matheson led the decline with a loss of 70 cents at HK$24.60, while Cheung Kong shed 50 cents to HK$31.00 and Hongkong Wharf 30 cents to HK$8.20.

Australia

Markets tended to drift easier, especially Natural Resources issues, as sentiment remained subdued by high U.S. interest rates.

However, an optimistic business forecast for the next quarter helped Retailers to improve, Myer, A$1.98, and G. J. Coles, A$2.65, adding 3 cents apiece.

Elder Smith rose 10 cents to A$4.60 following news that Carlton and United Breweries, 5 cents down at A$2.55, had lifted the target of its partial takeover bid from 50 per cent of the Elder issued capital to 60 per cent.

An initially bright exception in the Oil and Gas group was Santos, which rose to A$7.20 on rumours that Shell was interested in acquiring the group's drilling partner Delhi International, before closing unchanged on the day at A$7.00.

Johannesburg

Gold shares were narrowly mixed in quiet trading. Among Heavyweights, FS Geduld gained 50 cents to R36.50 but Western Deep shed that amount to R45.50.

Closing prices for North America were not available for this edition.

Indices

NEW YORK —DOW JONES

	June 19	June 18	June 17	June 16	June 15	June 12	1981 High	1981 Low	Since Cm'pil't' High	Since Cm'pil't' Low
●Industr'ls	996.19	995.15	1006.56	1005.55	1011.99	1006.28	1024.05 (27/4)	951.57 (15/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds	61.55	61.37	62.22	61.68	61.40	60.79	65.78 (15/1)	58.57 (7/5)	—	—
Transport.	420.25	417.64	418.64	418.11	422.56	425.54	447.58 (16/4)	379.18 (20/2)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	110.26	110.75	111.68	111.87	112.55	110.06	117.81 (6/1)	105.99 (5/5)	165.52 (20/4/69)	10.5 (28/4/42)
Trading Vol 000-†	46,450	48,400	55,470	57,780	53,558	60,790	—	—	—	—

●Day's high 1002.65 low 988.77

Ind. div. yield %	June 12	June 5	May 29	Year ago (approx)
	5.48	5.63	5.61	6.02

STANDARD AND POORS

	June 19	June 18	June 17	June 16	June 15	June 12	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	148.46	147.64	148.47	147·90	149.60	149.95	157.02 (6/1)	143.75 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	132.27	131.64	133.32	132.15	133.61	133.49	138.12 (6/1)	126.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	June 10	June 3	May 27	Year ago (approx.)
Ind. div. yield %	4.76	4.79	4.62	5.12
Ind. P/E Ratio	9.46	9.14	9.37	7.75
Long Gov. Bond yield	12.56	12.86	13.01	9.75

N.Y.S.E. ALL COMMON

June 19	June 18	June 17	June 16	1981 High	1981 Low
76.75	76.40	77.34	76.80	79.14 (6/1)	72.45 (20/2)

Rises and Falls	June 19	June 18	June 17
Issues Traded	1,902	1,903	1,905
Rises	693	452	782
Falls	816	1,115	754
Unchanged	393	338	369
New Highs	—	53	62
New Lows	—	10	26

MONTREAL

	June 19	June 18	June 17	June 16	1981 High	1981 Low
Industrials	404.45	403.72	402.63	398.74	409.56 (27/5)	356.28 (20/2)
Combined	372.80	372.09	371.44	369.65	375.18 (27/5)	339.34 (20/2)
TORONTO Composite	2350.6	2345.6	2339.7	2341.6	2378.8 (10/4)	2151.4 (20/2)

	June 22	June 19	June 18	June 17	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	705.9	707.9	709.7	712.1	757.3 (6/4)	641.1 (17/2)
Metal & Minrls. (1/1/80)	599.9	605.1	613.1	617.9	735.2 (7/1)	554.9 (5/5)
AUSTRIA						
Credit Aktien (2/1/62)	60.25	60.66	(c)	60.65	66.45 (5/1)	59.69 (10/6)
BELGIUM						
Belgian SE (31/12/63)	73.11	72.40	71.28	70.65	86.15 (17/2)	69.53 (16/6)
DENMARK						
Copenhagen SE (1/1/73)	111.22	110.65	109.75	109.26	112.5 (26/5)	95.66 (2/1)
FRANCE						
CAC General (29/12/61)	81.2	80.70	81.5	81.5	112.5 (17/3)	77.5 (15/6)
Ind Tendance (31/12/80)	82.7	82.10	85.2	83.1	106.8 (13/5)	79.2 (12/6)
GERMANY						
FAZ-Aktien (31/12/58)	239.38	238.21	(c)	(c)	239.58 (22/6)	215.88 (9/2)
Commerzbank (Dec. 1953)	736.1	732.80	(c)	(c)	736.1 (22/6)	666.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	95.7	95.1	95.4	94.1	95.7 (22/6)	85.7 (2/1)
ANP-CBS Indust. (1970)	76.4	76.2	76.0	75.4	76.4 (22/6)	62.8 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1677.56	1705.48	1745.11	1728.57	1780.55 (2/5)	1295.44 (11/5)
ITALY						
Banca Comm Ital (1972)	215.12	251.94	245.05	242.02	292.05 (5/6)	173.56 (6/1)
JAPAN						
Dow Average (16/5/49)	7668.86	7714.57	7712.01	7705.50	7714.57 (19/6)	6956.52 (13/3)
Tokyo New SE (4/1/68)	573.52	577.17	577.44	578.51	578.51 (17/6)	495.79 (5/1)
NORWAY						
Oslo SE (1/1/72)	115.60	116.57	115.41	115.92	127.37 (4/5)	110.34 (3/8)
SINGAPORE						
Straits Times (1966)	952.46	945.72	949.06	946.61	962.46 (22/6)	658.51 (2/1)
SOUTH AFRICA						
Gold (1958)	(U)	561.0	568.8	578.2	797.6 (7/1)	561.3 (5/3)
Industrial (1958)	(U)	625.9	625.4	626.0	653.5 (1/5)	557.2 (5/2)
SPAIN						
Madrid SE (30/12/80)	(c)	139.77	(c)	141.40	141.40 (17/6)	100.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	551.66	(c)	550.25	552.45	556.42 (5/6)	404.17 (20/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	287.2	287.1	289.6	290.4	304.2 (2/4)	278.8 (27/5)
WORLD						
Capital Intl. (1/1/70)	—	155.2	156.8	157.6	162.8 (6/1)	149.9 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Exxon	737,300	35¼	+¼	Atlantic Rich.	422,700	45¾	+½
Sony	569,900	22⅞	−⅛	Citicorp.	413,900	29	+⅛
Stk. Cal. Edison	547,800	26¾	−⅛	Smith Kline	380,800	80¼	−3¾
Texaco	516,300	34⅞	+⅛	Amer. Express	351,100	50¾	−1
Sears Roebuck	454,200	19¾	−¼	Gulf Western	347,800	21	−⅛

هكذا من الأصل

Tin pact talks compromise

BY BRIJ KHINDARIA IN GENEVA

NEGOTIATIONS FOR a new international tin agreement, which were deadlocked last week, received a new lease of life after intensive bargaining over the weekend. New compromise proposals were developed giving new hope for a successful conclusion to the talks this week. But they are so far removed from the U.S. demands that it seems unlikely the U.S. will be able to join the new pact.

The compromise recommends creation of a tin buffer stock of 28,000 tonnes financed directly by payments from both consumer and producer countries. This contrasts with a 40,000 tonne stock sought by the U.S. and the 20,000 tonne stock provided for in the existing tin accord financed only by exporters.

The compromise also suggests creation of a supplementary 20,000 tonnes paid for by loans using stock warrants and governmental guarantees as collateral to meet emergency situations, such as sudden and excessive falls in prices.

Export controls to prevent oversupply of tin from falling world prices would also be allowed under the compromise, but the point when such controls would be used has still to be worked out. The existing accord allows use of such controls: the U.S., while opposing the controls in principle, would have acquiesced to them if its other demands had been met.

The U.S. has not yet formally said that it is opting out of the tin talks but discussion of the new compromise was taken as indication that it has lost interest or that the others are willing to reach a new agreement without the U.S.

Although the Common Market has actively taken part in discussions for the formula its support remains uncertain. The decision lies with the Community's foreign ministers meeting in Luxembourg today.

The EEC is more inclined towards the use of international agreements to regulate commodity markets than the new U.S. administration. But some member countries, including West Germany and Britain prefer accords that interfere least with free markets. However, Mr. Francois Mitterrand's socialist government is thought to be keen to create a new accord to express its support for Third World needs.

The existing tin accord expires at the end of June next year. The U.S. entered the current accord for the first time in the 20-year-old series of tin agreements, but some other members felt that its presence was more a liability than an asset to the Agreement's smooth operation. The Common Market was keen to persuade the U.S. to remain in the new agreement because as the world's largest single tin importer, the U.S. has an important influence

The producers have had particular problems with the U.S. because it has decided to resume sales from its 200,000 tin stockpile collected in the past for strategic purposes. The stockpile equals almost one year's tin trade and in the producers' view hangs over the world prices as a negative influence.

Warning on iron ore supplies

RIO DE JANEIRO—Australia's Deputy Prime Minister, Mr Doug Anthony, said iron ore prices are so low stability of supply in the future is being jeopardised.

Mr Anthony said at the end of an eight-day visit to Brazil he had discussed the problem with Brazilian officials. "I think both of us (Australia and Brazil) recognise we have to persuade our customers to pay more," he said. "What they've got to recognise is that they are jeopardising their future supply situation, unless something is done."

Mr Anthony said no new iron ore project could be developed economically at today's prices, many small mines around the world were going bankrupt, and consumers could not expect long-term stability of supply unless they paid more.

With high interest rates, the cost of the mining infrastructure, and environmental measures, current rates are too low, he said.

Mr Anthony denied repeatedly that Australia is seeking to form a mineral-producers cartel or co-ordinating body along the lines of OPEC.

Mr Anthony said: "We don't believe in a cartel arrangement. It would not succeed and we wouldn't want it to. We have far more respect for our customers than to try any blackmail tactics." Reuter

Tentative settlement of U.S. lead plants strike

BY JOHN EDWARDS, COMMODITIES EDITOR

A TENTATIVE settlement of the 12-week-old strike at St. Joe Minerals' lead mining and milling plants in Missouri was announced yesterday. The agreement has yet to be ratified by the workers concerned, but union representatives claimed some significant gains had been made in the negotiations.

The strike which has lasted much longer than expected forced the company to declare *force majeure* on lead shipments and to close its Herculaneum smelter for a period owing to a shortage of concentrates. However the smelter was re-opened last week using bought-in supplies of concentrates.

Although the St. Joe stoppage has been a sustaining factor recently, the lead market on the London Metal Exchange was only slightly easier yesterday on news of the tentative settlement. Traders said there was continuing East European buying interest and a steadying background influence has been the rise in U.S. domestic lead prices at the end of last week.

As expected lead stocks held in LME warehouses declined by 250 tonnes cutting total holdings to 47,175 tonnes.

Zinc stocks fell by 900 to 86,200 tonnes helping to maintain the cash price premium over the three months quotation. The shortage of immediately available supplies, and forecasts of further stocks falls, encouraged speculative buying but profit-taking sales at the higher levels restrained the market.

Copper prices gained ground, in spite of a rise in warehouse stocks—up by 1,150 to a total of 117,325 tonnes. The firm tone was attributed to the steady tone in New York and in the gold market, as well as reports of a tightening of scrap supplies in Europe.

Aluminium, however, was depressed by a large increase in stocks, which rose by 4,875 tonnes to 65,675 tonnes. Tin stocks were also up by 360 to 7,825 tonnes and nickel by 54 to 2,364 tonnes. LME silver holdings rose by 100,000 to 25,520,000 ounces.

John Wicks in Zurich writes: The Swiss aluminium industry is experiencing a decline in new orders, according to a report prepared by Credit Suisse in Zurich. New business has been falling off since the final quarter of 1980.

In the light of the overall situation of the European economy, the prospects are viewed "with caution," warns the bank, although relatively good domestic demand is seen as likely to help offset a fall in exports.

Figures issued by the government in Berne show a drop in Swiss aluminium exports of more than 15 per cent for the first four months of 1981, in spite of a 5 per cent rise in the price level.

Plan for Cobalt institute

LUSAKA — Lawrence Mutakasha, managing director of the Metal Marketing Corporation of Zambia (Memaco) said a meeting of cobalt producers beginning in Helsinki on Thursday will work on plans for a new cobalt development institute, expected to be located in either London or Brussels.

He said that efforts would be directed against user substitution and not at monitoring the price of the metal on the world market.

Mr Mutakasha said the Helsinki meeting, which is due to last until Sunday, will define the objectives of the new institute and organise funds for its creation. It will seek ways of furthering applications of cobalt in industry. Producers have not spent enough money on this in the past, he said.

Mr Mutakasha said he hoped that once the cobalt institute was functioning consumers would also participate in its activities. Reuter

Coffee falls as frost fears ease

By Our Commodities Correspondent

COFFEE PRICES tumbled again yesterday as fears of frost hitting Brazil receded. On the London futures market the September position closed £53.5 down at £745.5 a tonne—the lowest level since December 1975.

Last week coffee values collapsed owing to the failure of the International Coffee Organisation to take immediate steps to cut supplies available. The market then rallied on reports of low temperatures in Brazil triggering off frost fears. But over the weekend warmer weather developed and speculators decided to sell out, although the main frost danger period in July has yet to come.

Traders said that there was little other support in the market, apart from frost fears, at present with a surplus of supplies still building up.

EEC defers cocoa pact decision

LUXEMBOURG—EEC foreign ministers deferred until later this week a decision on whether to support provisional application of a new International Cocoa Pact, with West Germany still opposed to such a move as long as the U.S. and the Ivory Coast withhold their support.

The West German cabinet is due to discuss the issue tomorrow, but West German foreign minister Hans-Dietrich Genscher said he could not promise any change in his Government's position.

UN Secretary General Kurt Waldheim has called a meeting of nations which have so far given their support to the proposed international cocoa agreement in Geneva on June 29/30, to discuss provisional application of its provisions.

The other EEC States all support the proposal for putting the agreement into provisional operation, but West Germany has opposed this on the grounds that it would push market prices up.
Reuter

TOBACCO

High prices boost for Zimbabwe

BY TONY HAWKINS IN SALISBURY

THIS YEAR promises to be a record year for Zimbabwe's tobacco industry. Prices are buoyant and the tobacco industry has plans for expansion.

When the current auction sales season started two months ago, growers were forecasting an average price for the season of around 125 Zimbabwe cents a kilo (180 U.S. cents). But in the first eight weeks of the sales, with almost one-third of the crop having been sold, the price is currently averaging 170 cents a kilo (243 U.S. cents), which is 115 per cent higher than last year's national average price for the season of just under 80 Zimbabwe cents a kilo (115 U.S. cents).

The tobacco industry attributes the higher prices to a much smaller and much higher quality crop than in 1980. The crop is estimated to have fallen just short of the target of 70m kilos—43 per cent less than in 1980.

There has also been a substantial shift in the market situation in favour of growers in the past year due to the poor U.S. crop in 1980 and the failure of the Chinese crop last year. In addition, Zimbabwe is the only big tobacco market currently open to buyers.

But in spite of this dealers are saying that market resistance to the high prices ruling on the auctions is becoming increasingly evident. They say that the differential between the Zimbabwean leaf price and that ruling in the U.S. is now very slight, once sharply higher transport and handling costs in Zimbabwe have been taken into account. Some merchants argue that Zimbabwean merchants are buying leaf without firm export orders and speculating on continued strong demand for the leaf even after the U.S. sales have opened. One reason for such speculation according to some merchants is the anticipation that the Zimbabwean dollar, which has fallen 9 per cent against the U.S. dollar so far this year, will continue to ease, thereby making it easier to sell the local leaf as the Zimbabwean currency is effectively devaluing against the American dollar.

While the main sales of Zimbabwean leaf have gone to western countries there have been big transactions to China and Iraq. These came either from this year's crop or from the leaf stockpile which is now down to less than half last year's level of 150m kilos.

China purchased 19m kilos. Iraq this week announced a 5m kilo purchase of Zimbabwean leaf, valued at some $24m after taking handling, processing and transport costs into account.

In the industry it is being forecast that the average price for the season will exceed 175 cents a kilo (250 U.S. cents) representing a 120 per cent increase over last year. Zimbabwe's tobacco output this year wil be worth more than Z$120m ($162m) and tobacco will once again be the country's chief export. Tobacco exports this year are forecast to increase by about a quarter to Z$150m representing sales from the stockpile and from the current year's crop.

Next season's crop target will be raised to at least 90m kilos from 70m last year and possibly even as far as 100m kilos in response to strong market demand.

Short-term future tough for palm oil

KUALA LUMPUR—Palm oil exporters should continue to prepare themselves for possibly tougher market conditions in the early 1980s, the Food and Agricultural Organisation (FAO) has warned.

But in the long term, any greatly increased use of renewable natural resources as raw materials for chemicals and/or fuels could be expected to affect the fats and oil economy to the benefit of palm oil, it said in a paper for an international conference on palm oil product technology in the eighties.

Speaking on palm oil and palm kernel oil in the world fats and oils economy, an FAO official said production of palm oil is likely to continue increasing at between 300-400,000 tons a year at least until the mid-1980s.

In the later 1980s, it is possible the increase in production will be more equally divided between countries which produce mainly to meet domestic demand, mainly in Africa and Latin America and those which are primarily exporters.

However, for the next few years, a large part of increased output will be available for export.

The most important single competitor for palm oil will be soyabean oil, although, with the possibility of lower growth rates for meal demand, at least in the main developed countries, incentives to increase soyabean output may fall.

But even so, palm oil must expect competitive and possibly increasingly competitive conditions in finding the large markets required, he said.

Food aid shortage likely

ROME — Developing countries are receiving only half the food aid they are likely to need in future to feed growing populations, Mr Edouard Saouma, Director-General of the UN Food and Agriculture Organisation (FAO), said.

At the same time world trade conditions have turned strongly against developing countries' exports, he said.

Food aid fell 500,000 tonnes last year to 9m tonnes and never reached the 10m tons target agreed by the World Food Conference in 1974, Mr Saouma said.

"This is inspite of the fact that we know the 1974 target of 10m tonnes is too little," he added.
Reuter

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL prices were mostly easier on the London Metal Exchange in line with the renewed upward movement of sterling. Copper was the exception, advancing steadily throughout the day to close at £888.5. Tin fell back in the afternoon to close at £6,505, the settlement at St Joe Minerals cut lead to £370 at the close, and zinc slipped to £435.5. Aluminium declined marginally to £634, and a dull nickel market saw a closing level of £3,150.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	861-.5	+3	863.5-4.5	+6.5
3 months	885.5-6	+3.5	888.5-9	+6.5
Settlem't	861.5	+3	—	......
Cathodes				
Cash	853-5	+1.5	856-8	+6.25
3 months	876-7	+3.25	878.5-8	+6.5
Settlem't	855	+2	—	......
U.S. Prod	—	......	*83.5-7	......

Amalgamated Metal Trading reported that in the morning copper cash wirebars traded at £861, 60.5, 61. Three months £885, 84.5, 85, 85.5, 86. Kerb: Wirebars three months £886, 86.5, 87. Afternoon: Wirebars three months £888, 88.5, 89, 89.5, 88, 88.5, 89. Kerb: Wirebars three months £890, 89, 88.50. Turnover: 17,625 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6415-20	—25	6375-80	—65
3 months	6540-5	—28	6505-10	—46
Settlem't	6420	—35	—	......
Standard				
Cash	6415-20	—25	6375-80	—65
3 months	6540-5	—28	6505-10	—46
Settlem't	6420	—35	—	......
Straits E.	‡29.30	—0.07	—	......
New York	—			

Tin—Morning: Standard cash £6,420. Three months £6,520, 30, 40, 45, 40. Kerb: Standard three months £6,530, 35. Afternoon: Standard three months £6,530, 20, 15, 10, 05. Kerb: Standard three months £6,505, 10. Turnover: 1,000 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	368.75-9	+.875	366-7	—2.25
3 months	374.5-5	—1	372.5-3	—2
S'ment	369	—1	—	......
U.S. Spot	—	......	*38	......

Lead—Morning: Cash £368.5, 68.75. Three months £374, 74.5, 75. Kerb: Three months £374.5, 74, 74.5. Afternoon three months £375, 72, 72.5, 73, 72.5. Kerb: Three months £373, 72, 71, 70. Turnover: 9,300 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	442.5-3	+1.37	438-40	+1
3 months	439-40	+1.25	436-7	+1.25
S'ment	443	+1.25	—	......
Primw'ts	—	......	*46.5	......

Zinc—Morning: Cash £443. Three months £439, 38, 39, 40. Kerb: Three months £439. Afternoon three months £439, 40, 39, 38, 36. Kerb: Cash £437.5. Three months £435, 34.5, 35, 35.5, 35. Turnover: 9,650 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Spot	614-5	—6	613-5	—5
3 months	635-.5	—4	634-.5	—5.25

Aluminium—Morning three months £635, 36, 36.5, 36, 35.5, 36. Kerb: Three months £636. Afternoon three months £636, 35.5, 35. Kerb: Three months £634. Turnover: 11,950 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	3100-10	—28	3090-100	—28
3 months	3150-60	—17.5	3140-5	—19.5

Nickel—Morning three months £3,155. Turnover: 270 tonnes.
† On previous unofficial close.
* Cents per pound. ‡ M$ per kilo.

SILVER

Silver was fixed 3.6p an ounce higher for spot delivery in the London bullion market yesterday at 507.55p. U.S. equivalents of the fixing levels were: spot $10.072, up 16.2c; three-month $10.523, up 16.8c; six-month $10.922, up 17.9c; and 12-month $11.688, up 16.9c. The metal opened at 502½-507½p ($10.00-10.10) and closed at 507½-512½p ($10.06-10.16).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	507.55p	+3.6	511.75p	+5.0
3 months	522.95p	+4.4	526.75p	+5.25
6 months	536.75p	+4.5	—	......
12 months	572.80p	+4.3	—	......

LME—Turnover 278 (156) lots of 10,000 ozs. Morning: Cash 510.5, three months 525, 24.5, 25. Kerbs: Three months 524, 24.5. Afternoon: Three months 524.5, 25, 25.5, 26. Kerbs: Three months 527, 27.5, 28, 27, 26.5.

COCOA

Futures eased in thin conditions during a featureless day. Physical business was scarce with both producers and consumers sidelined, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
July	762-765	—	763-755
Sept.	794-795	—6.0	804-791
Dec.	835-836	—6.0	843-831
March	865-866	—6.0	873-861
May	884-885	—5.0	891-880
July	901-903	—6.0	910-900
Sept.	919-920	—6.5	929-919

Sales: 2,507 (3,206) lots of 10 tonnes.

ICCO Futures—Daily price for June 19: 73.64 (73.52); five-day average 75.00 (74.46).

COFFEE

A warmer than expected weekend in Brazil prompted early long liquidation and opening losses, reports Drexel Burnham. The decline accelerated on Commission House selling which followed a 4 per cent limit loss in New York and values finished on new contract lows.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
July	728-30	—58.5	868-28
Sept.	745-46	—53.5	802-44
Nov	730-34	—60.0	870-30
Jan	727-32	—61.5	856-32
March	730-32	—56.5	860-32
May	733-40	—56.5	863-36
July	730-60	—55.0	—

Sales: 6,907 (4,265) lots of 5 tonnes.

ICO Indicator prices for June 19: (U.S. cents per pound). Comp. Daily ICA 1978 97.17 (96.88); 20-day average 105.22 (106.09).

GAS OIL FUTURES

The market opened steady and rallied with strong buying interest reflecting the firmer physical market.

Month	Yesterdys close $ U.S. per tonne	+ or —	Business Done
June	282.00	+2.00	285.00-82.00
July	282.25	+3.25	282.50-81.00
August	284.75	+2.75	285.00-82.50
September	288.00	+2.25	288.00-88.00
October	292.00	+1.75	292.00-90.00
November	296.00	+2.00	296.00-94.50
December	301.25	+2.50	301.50-00.00
January	305.00	+2.50	—
February	308.50	+1.75	—

Turnover: 645 (776) lots of 100 tonnes.

After falling back to the lows, the market rallied again on crude oil rumours to close at the highs, reports Premier Man.

GRAINS

July wheat opened lower, but on buying support and lack of sellers closed firm, 80p up on the day. New crops opened 10p lower on wheat and unchanged on barley. A good volume traded mainly on wheat-barley spreads and values closed steady, Ach reports.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday's close	+ or —
July	113.50	+0.78	—	—
Sep	100.05	+0.10	95.15	+0.10
Nov	103.95	+0.05	99.05	+0.05
Jan	107.80	+0.10	102.70	+0.20
Mar	111.50	+0.10	105.95	+0.10
May	115.30	+0.10	109.50	+0.10

Business done—Wheat: July 113.50-112.55, Sept 100.05-99.75, Nov 103.85-103.75, Jan 107.80-107.55, March 111.60-111.20, May 115.05-115.00. Sales: 238 lots of 100 tonnes. Barley: Sept 95.15-94.90, Nov 99.00-98.85, Jan 102.70-102.40, March 105.80-105.70, May 109.50-109.20. Sales: 171 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent June 109.25, July 109.75, Aug. 109.25 transhipment East Coast. U.S. Hard Winter 13½ per cent June and July 110, Aug. 111.25 transhipment East Coast. English Feed fob Sept. 103.50, Nov. 107.50 East Coast. Maize: French June 127.50, July 128.50 transhipment East Coast. S. African Yellow July/Sept. 88.75. Barley: English Feed fob April/June 112 East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: Eastern 105.20, E. Mids 104.80, N. East 105.00, Scotland 99.80. The UK Monetary Coefficient for the week beginning Monday June 29 (based on HGCA calculations using four day's exchange rates) is expected to remain unchanged.

RUBBER

The London physical market opened easier, with little interest throughout the day, closing weak. Lewis and Peat reported a fob July price for No 1 RSS in Kuala Lumpur of 266.0 (270.5) cents a kg and SMR 20 229.0 (232.5).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
July	59.30-61.00	60.50-61.50	—
August	61.20-61.30	61.70-62.20	—
Jly-Sept	60.90-61.00	61.80-62.20	61.60-61.00
Oct-Dec	63.30-63.80	64.80-65.00	64.50-63.50
Jan-Mar	66.50-66.60	67.70-67.80	67.30-66.60
Apl-Jne	69.40-69.50	70.60-70.80	70.00-69.50
Jly-Sept	72.30-72.40	73.50-73.60	72.40
Oct-Dec	75.30-75.40	76.50-76.60	—
Jan-Mar	78.30-78.50	79.50-79.60	78.70

Sales: 397 (284) lots of 15 tonnes, nil (nil) at 5 tonnes. Physical closing prices (buyers) were: Spot 59.50p (60.50p); July 61.75p (62.50p); Aug. 62.25p (62.75p).

SOYABEAN MEAL

The market opened with losses of 50p on trade selling, reports T. G. Roddick. Prices remained on the defensive particularly nearby positions.

Sales: 238 (31) lots of 100 tonnes.

	Yesterdys Close £ per tonne	+ or —	Business Done
June	131.00	—	—
August	126.90-27.0	—1.40	127.70-26.90
October	129.90-30.0	—1.25	130.70-30.00
December	135.50-36.0	—0.50	136.80-35.00
February	139.30-39.5	—0.35	139.65-38.50
April	138.50-41.0	—1.15	—
June	139.50-45.0	—0.50	—

COTTON

LIVERPOOL—Spot and shipment sales amounted to 40 tonnes. Demand was lethargic, in view of holidays in the spinning areas, and few contracts were undertaken. Scattered operations were mentioned in American type growths, largely in African and Middle Eastern qualities.

SUGAR

LONDON DAILY PRICE—Raw sugar £208.00 (£206.00) a tonne cif June-July-August shipments. White sugar daily price £229.00 (£225.50).

The market opened around previous levels and thereafter showed little change in dull trading conditions, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	206.75-07.00	205.65-06.00	210.75-04.00
Oct.	208.50-08.70	206.50-07.00	212.00-05.00
Jan.	209.25-09.50	206.50-07.75	210.50-08.00
March	211.50-11.75	209.85-10.00	214.50-10.25
May	215.25-15.50	211.25-11.75	215.50
Aug.	214.50-15.25	212.50-14.00	214.50
Oct.	215.50-16.50	215.50-15.50	—

Sales: 4,438 (4,532) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £317.0 (£314.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for June 19: Daily price 16.21 (16.11); 15-day average 16.71 (16.77).

WOOL FUTURES

BRADFORD — Prices showed little change. Australian wool was rather dearer and there was little new business. The retail trade is resisting higher prices in view of commitments to unchanged levels earlier. However, stocks are being exhausted and some observers think any surge in demand could not quickly be met.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. July 502.0, 503.0, 503.0-500.0; Oct. 495.0, 496.5, 497.5-496.0; Dec. 503.8, 504.0, 506.0-502.5; Mar. 510.8, 511.0, 512.0-509.0; May 517.0, 518.0, 518.0; July 523.5, 524.0, 524.0-522.0; Oct. 521.5, 523.0, 522.0-521.8; Dec. 524.5, 525.0, 525.0. Sales: 282.

TEA AUCTION

LONDON TEA AUCTION—37,524 packages offered in yesterday's auction. The few end-of-season Assams were irregular and sometimes lower. Best Africans did not always realise valuations. Mediums were firm to dearer, others irregular and lower, with Dusts weak. Mozambiques gained 1-2p. Best Ceylons were sometimes dearer, Mediums saw little change but Dusts met limited enquiry. Quotations: Quality 126p per kilo (126p). Medium 104p per kilo (103p). Plain 80p nominal (no quote).

POTATOES

LONDON POTATO FUTURES — The market opened very steady and rose strongly before sellers appeared in quantity. All positions stabilized and showed little movement in the afternoon, closing steady, reports Coley and Harper. Closing prices: Nov 60.90, +1.10, (high 61.00, low 60.00); Feb 69.80, +1.10, (high 70.40, low 69.50); April 76.80, +1.10, (high 77.00, low 76.50). Turnover: 284 (236) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 76.0 to 79.5; Ulster hindquarters 88.0 to 92.0, forequarters 56.0 to 59.0; Eire hindquarters 87.0 to 90.0, forequarters 56.0 to 58.0. Veal: Dutch hinds and ends 126.0 to 132.0. Lamb: English small 78.0 to 81.4, medium 75.3 to 78.0, heavy 74.0 to 76.0; Imported Frozen—New Zealand PL 67.0 to 67.0, PM 64.0 to 65.0. Pork: English, under 100 lb 46.0 to 54.0, 100-120 lb 46.0 to 52.0, 120-160 lb 45.0 to 51.0.

MEAT COMMISSION—Average Fatstock prices at representative markets on June 22. GB—Cattle, 94.27p per kg lw (−1.57). UK—Sheep, 167.51p per kg est dcw (−10.22). GB—Pigs, 77.43p per kg lw (−0.02).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 5.00, 56 5.70, 72 5.60, 88 5.00, 112 4.85, 138 4.85, 150 4.30; Californian: 88/138 3.80-4.80; Jaffa: (base) Valencia Lates 56/188 4.20-4.90; Moroccan: Lates 48/113 3.30-5.00; Cyprus: Valencia Lates 55/114 3.80-4.60. Lemons—Spania: Trays 25/50 2.00-2.20, Boxes 60/100 5.00; Californian: 115/140 5.50; Italian: 100/120 4.50-4.80; Outspan: 80/100 5.00; Jaffa: Cartons 60/90 4.20-5.00. Grapefruit—Outspan: 40 4.10, 48 4.30, 56 4.00, 64 3.60, 72 3.50; Jaffa: 20-kg 36/75 3.60-4.25. Apples—S. African: Granny Smith 6.50-7.00, Golden Delicious 6.50-7.00, Starking 7.20-7.80; Chilean: Granny Smith 6.00, Starking 7.50, Richards 7.50; New Zealand: Granny Smith 6.80, Sturmer Pippins 6.50, Golden Delicious 4.80-6.00, Red Delicious 7.50, Delicious 7.00, Red Dougherty 7.50; Tasmanian: Jonathans 6.20, Granny Smith 5.80, Sturmer Pippins 6.50, Democrats 7.00-7.50, Croftons 8.00; W. Australian: Granny Smith 7.00; U.S.: Red Delicious 9.50-10.50; French: Golden Delicious 40-lb 125/175 3.80-4.80; Italian: 40-lb Romes 60/70 4.50, Democrats 28-lb 2.80; Victorian: King Coles 8.30; British Columbian: McIntosh Reds ½-cartons 70/80 4.50. Pears—Belgian: Conference per pound 0.10-0.12; S. African: Packhams 6.00-6.50, Nelis 5.50; Tasmanian: Packhams 40-lb 6.80-7.20; New Zealand: Packhams 8.20; Victorian: Packhams 7.80-8.50. Nectarines—Spanish: 37/45 3.80-5.00. Plums—Spanish: Rosas 3/6 2.50-4.50, Japanese 3/5 1.00-1.50, Gaviotas 2.80-3.50. Apricots—Spanish: 11-lb 2.20-3.00. Cherries—U.S.: 18-lb, per pound 0.90; French: 11-lb, per pound 0.45-0.55; Italian: 0.45-0.70; Turkish: 0.70-0.80. Gooseberries—Hungarian: 12-lb 2.80. Grapes—Chilean: Almeria 11-lb 5.50, Red Emperor 4.50, Ribea 7.00; Israeli: Perlette 9-lb 6.50; Cyprus: Cardinal 11-lb 9.60. Melons—Israeli: Carmel Yellow 6/12 5.00-5.40; Spanish: 10-kg Yellow 5.50. Water-Melons—Spanish: 3.60-5.00. Strawberries—U.S.: 12oz 1.00; Spanish: 0.25; Italian: Large trays C/As 2.50-4.50. Peaches—Italian Standard trays B/D 1.50-3.20. Pineapples—Ivory Coast: Each 0.40-1.00; S. African: Shelford 5/8 2.60-2.80. Bananas—Colombian: Per pound 0.17-0.18. Avocados—S. African: 12/16 4.00. Tomatoes—Dutch: 13-lb 2.60-2.80. Onions—Chilean: 7.50; French: 25-kilo 6.50-7.00; Israeli: Carmel 8.20-8.50; Spanish: Liria 4/5 6.80; Texas: 50-lb 8.50. Potatoes—Jersey: New, per 55-lb 4.00-4.40; Cyprus: 44-lb bags 4.20-4.40; Canary: 25-kg 8.00; Majorcan: 3.60; Brittany: Ostara 3.20. Capsicums—Spanish: 6-kg green 3.50, red 7.20. Fennel—Italian: 20-lb 7.50. Aubergines—Dutch: 5-lb 4.60.

English Produce: Potatoes—Per 55-lb bags, old 2.50-3.40, Kent new 4.40-4.800, Pembroke 4.00-4.30. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.15. Cauliflowers—Per 12, Lincoln 3.50-4.20. Cabbages—Per bag 3.20, Spring 22-lb 3.60-4.20, Primo 20-lb 3.80-4.20. Lettuce—Per 12, round 1.40, Cos 10/12 2.00-2.40. Tomatoes—Per 12-lb 3.00, E 2.80. Radishes—Per pack of 12 x 8oz 1.50, bunches of 15 1.20. Onions—Per tray x 20 bunches, spring 1.60, 56-lb 40/60mm 6.00. Celery—Per 16/25 5.00-6.00. Cucumbers—Per 10/20 1.00-1.40. Gooseberries—Per 12-lb, per pound 0.16-0.18. Broad Beans—Per 24-lb 1.00-1.50. Peas—Per 20-lb nets 3.00-4.00.

*

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£8.00, codlings £2.50-£3.80. Large haddock £5.00-£5.70, medium £4.30-£4.70, small £2.70-£3.20. Large plaice 5.60-£5.80, medium £4.90-£5.60, best small £3.70-£4.50. Skinned dogfish (large) £8.00-£7.00, (medium) £6.00-£6.50. Lemon soles (large) £9.00, (medium) £8.00. Rockfish £2.00-£2.20. Saithe £2.00-£2.80.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 22 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1215/1245	......	$1285/1325
Copper			
Cash w'bar	£864	+6.5	£831.75
3 mths	£888.75	+6.5	£855.75
Cash Cathode	£857	+6.25	£826.75
3 mths	£878.75	+6.5	£844.5
Gold troy oz	$462.5	+4	$473.5
Lead Cash	£366.5	—2.25	£331.25
3 mths	£372.75	—2	£341.5
Nickel	£3,504.50	......	£3,504.50
Freemkt	275/285c	......	295/305c
Platin'm'try oz	£247.0	......	£230
Freemkt	£228.60	......	£219.00
Quicksilver†	$420/430	......	$420/430
Silver troy oz	507.55p	+3.6	516.30p
3 mths	522.95p	+4.4	531.30p
Tin Cash	£6,377.5	—65	£6,155
3 mths	£6,507.5	—40	£6,275.5
Tungsten22.04lb	$145.09	......	$143.75
Wolfrm 22.04 lbs	$147/149	......	$145/146
Zinc Cash	£439	+1	£398.875
3 mths	£436.5	+1.25	£400.25
Producers	$925	......	$925
Oils			
Coconut (Phil)	$585r	—5	$570
Groundnut	$605r	‡	‡
Linseed Crude	£442	......	£425
Palm Malayan	$620z	......	$610
Seeds			
Copra Philip	$370r	......	$395
Soyabean (U.S.)	$293.5y	+5	$308
Grains			
Barley Fut. Sep	£95.15	+0.01	£95.70
Maize	£127.5	......	£126.75
Wheat Fut. Sept	£100.05	+0.01	£101.65
No2 Hard Wint	£110.00	—1	£104.75
Other commodities			
Cocoa ship't*	£855	—16	£981
Future Sept	£794.5	—6	£890.5
Coffee Ft' Sept	£745.5	—53.5	£967
Cotton A Index	87.50c	......	87.65c
Gas oil July	$282.25	+3.25	$277.75
Rubber (kilo)	59.5p	—1.0	56.0p
Sugar (Raw)	£208w	+2	£192
Wool t'ps 64s kl.	361p kilo	......	358p kilo

‡ Unquoted. v June-July. w July-Aug. y July. z Aug. † Per 76-lb flask. * Ghana cocoa.

AMERICAN MARKETS

NEW YORK, June 22.

Precious metals and copper found support on lower interest rates and the unrest in Poland. Failure of cold temperatures to develop in Brazil put coffee prices limit down. Sugar prices sold off sharply on a failure to follow through to the upside as a result of India's purchases. The livestock complex sold off sharply on the close on evening up before the crucial hog production report. The grains and soyabeans rallied early, but lost all their gains and finished with losses on a bearish weather forecast, reported Heinold.

Copper—June 77.75 (77.75), July 77.95-78.05 (78.10), Aug 9.45, Sept 80.5-80.85, Dec 84.40-84.50, Jan 85.50, March 8.0, May 89.5, July 91.80, Sept 93.85, Dec 96.90, Jan 9.95, March 100.05.

*Gold—June 464.5 (459.4), July 465.8 (461.3), Aug 472.0-472.5, Oct 483.9, Dec 495.0-496.0, Feb 506.0, April 519.7, June 531.9, Aug 544.1, Oct 556.5, Dec 568.9, Feb 581.4, April 593.9.

*Platinum—July 457.0-458.5 (445.5), Aug nil (nil), Oct 475.0-476.5, Jan 494.0, April 509.5, July 526.0.

Potatoes (round whites)—Nov 73.7-73.9 (73.1), Feb 79.50-79.8 (80.0), March 84.0-84.50, April 94.4-94.8.

¶Silver—June 1015.0 (998.5), July 1017.0-1018.0 (1002.0), Aug 1032.5, Sept 1046.0-1048.0, Dec 1088.0, Jan 1101.8, March 1128.3, May 1154.8, July 1181.3, Sept 1207.8, Dec 1247.6, Jan 1260.9, March 1287.4. Handy and Harman bullion spot: 1017.00 (997.00).

Sugar—No. 11: July 16.00-16.50 (16.55), Sept 16.10-16.15 (16.88), Oct 16.56, Jan 16.65, March 16.95, May 17.11, July 17.27, Sept 17.40, Oct 17.50. Sales: 8,265.

Tin—584.00-594.00 (590.00-590.00).

CHICAGO, June 22.

Lard—Chicago loose 19.50 (same).

Live Cattle—Aug 68.87-68.77 (68.77), Oct 65.97-65.85 (65.95), Dec 66.50-66.40, Feb 67.40-67.35, April 68.25, June 69.25.

Live Hogs—July 54.60-54.45 (55.20), Aug 54.70-54.15 (55.65), Oct 53.00-52.60, Dec 55.35-55.20, Feb 56.10-55.87, April 54.80-55.20, June 57.50, July 57.50.

‡‡Maize — July 341½-342 (343¼), Sept 350¼-350½ (352¼), Dec 358-358½, March 372¼-372, May 380, July 383½.

Pork Bellies—July 53.70-53.30 (54.97), Aug 53.10-52.92 (54.42), Feb 69.30-69.10, March 69.70-69.10, May 70.00, July 71.25, Aug 71.40-70.95.

†Soyabeans — July 714-713 (720¾), Aug 724-723½ (729½), Sept 732-733, Nov 748½-750, Jan 768½-769, March 792½, May 805, July 821.

‖Soyabean Meal — July 202.5-202.7 (204.6), Aug 205.6-205.9 (207.2), Sept 208.5, Oct 211.0, Dec 217.5-217.2, Jan 220.0-220.5, March 227.0, May 230.5-231.0, July 234.0, Aug 234.0-236.0.

Soyabean Oil — July 22.47-22.46 (22.67), Aug 22.95-22.83 (23.11), Sept 23.35-23.40, Oct 23.75-23.85, Dec 24.48-24.46, Jan 24.75, March 25.40-25.50, May 25.80, July 26.15-26.25, Aug 26.20-26.30.

†Wheat — July 392¾-392½ (396¼), Sept 410½-412 (415¾), Dec 435-435½, March 457-456½, May 468, July 457½.

WINNIPEG, June 22.

§Barley — July 143.60 (143.40), Oct 139.50-139.70 (139.40), Dec 139.40, March 140.70, May 142.20.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 241.82 (244.87).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, June 22.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent July 202, Aug. 206, Sept. 209. U.S. No Two Red Winter June 150, July 153. U.S. No Two Northern Spring 14 per cent July/Aug. 196, Sept. 198, Oct. 200, Nov. 205.

Maize—(U.S. $ per tonne): U.S. No Three Corn Yellow afloat 153.50, June/July 153, Aug. 156, Sept. 159, Oct./Dec. 164, Jan./Mar. 173.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports July 288.50, Aug. 288.50, Sept. 292, Oct. 297, Nov. 297.50, Dec. 303, Jan. 309.50, Feb. 314.50, Mar. 318.50, April 323, May 325. Argentine June/July 281, Aug. 284, Sept. 288 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 240 traded, afloat 239.50, June 240, July 242, Aug. 247, Sept. 254, Oct. 258, Nov./Mar. 268 sellers. Brazil Pellets afloat 246 traded sellers, July 251, Aug. 256, Sept. 267, Nov./Mar. 285 sellers.

PARIS, June 22.

Cocoa—(FFr per 100 kilos): July 845/875, Sept. 895/905, Dec. 945/960, Mar. 991/1002, May 1015/1030, July 1030/1050. Sales at call: nil.

Sugar—(FFr per tonne): Aug. 2517/2525, Oct. 2425/2435, Nov. 2415/2445, Dec. 2435/2440, Mar. 2510/2520, May 2530/2560, July 2535/2570, Aug. 2540/2600. Sales at call: 16.

INDICES

FINANCIAL TIMES

June 19	June 18	Month ago	Year ago
248.69	248.24	253.07	264.33

(Base: July 1, 1952=100).

MOODY'S

June 19	June 18	Month ago	Year ago
1086.0	1083.3	1078.8	1147.5

(December 31, 1931=100)

DOW JONES

Dow Jones	June 19	June 18	Month ago	Year ago
Spot	375.81	377.34	391.80	431.77
Fut'r's	378.47	379.33	394.97	442.29

(Average 1924-25-26=100)

REUTERS

June 22	June 19	M'nth ago	Year ago
1749.9	1752.4	—	1670.4

(Base: September 18, 1931=100)

U.S. interest rate uncertainties fail to deter Gilts
Equities improve despite funds being reserved for BP

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 15	June 25	June 26	July 6
June 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug. 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

The two principal investment areas of London stock markets pursued quietly firm trends yesterday. Despite confusing U.S. signals on the likely direction of interest rates there. Government securities were stimulated by last week's further decline in U.S. money growth. All maturities were marked up initially and a small investment demand was attracted, presumably on yield considerations: after the recent four-day fall, selected medium and longer-life issues yielded in excess of 15 per cent.

Later in the session, most prices drifted away from the highest. Some, including Treasury 13 per cent 2000, up ¾ at 88¼, were more resilient and only edged lower in the after-hours' trade following Citibank's Prime rate increase to 20 per cent. Short-dated stocks were more vulnerable and closed a maximum of ⅛ up, after ¼.

Leading shares were content to be guided by Gilts and began the final leg of the trading Account displaying modest gains. The slowness of trade, however, suggested that funds were being earmarked for **British Petroleum's** bumper rights issue: dealings in the new partly-paid shares begin this morning. Equity dealings in the afternoon were particularly lethargic, but the tone improved marginally in the late business and the FT Industrial Ordinary share index, 2.0 higher at 1 pm, hardened to close 2.9 up at the day's best of 544.3.

Secondary industrials were rather listless too, but responded occasionally to week-end Press tips. A few situation issues also claimed attention.

Demand for Traded options decreased slightly, although puts continued to attract a reasonable business. Total contracts completed yesterday amounted to 1,104, of which puts accounted for 456. BP remained to the fore with 86 calls and 332 puts arranged, while Shell, newly introduced to the put market, recorded 55.

ICC Oil Services, yesterday's newcomer to the unlisted securities market, opened at 17p and closed at 19p compared with the placing price of 10p. Star Computers, which made a successful debut last Thursday, fell 12 to 198p on Press advice to take profits.

Banks good late

Up to 4 easier at the 'House' close following a small trade, the major clearing banks rallied smartly after-hours. **Barclays** closed with an above-average rise of 10 at 425p, while **NatWest** put on 5 to 378p, after 370p. Recently weak **Midland** ended 3 dearer at 328p, after 324p, and **Lloyds** picked up from 370p to finish a net 4 better at 378p. Elsewhere, **Royal Bank of Scotland** found renewed support at 184p, up 4. Merchant banks improved in places with **Hambros** 10 up at 890p awaiting today's preliminary results. Up 6 last week in response to an investment recommendation, **FNFC** hardened a fraction more to 33½p in front of today's half-yearly figures.

Insurances also took a turn for the better in the late inter-office dealings. Awaiting the parent company's annual results today, **Hambro Life** stood out with a gain of 9 to 394p. **GRE** firmed 8 to 320p, while improvements of 6 and 8 respectively were seen in **Royals**, 388p, and **GRE**, 320p. **Commercial Union** rose 4 to 163p.

Lack of investment incentive resulted in another lacklustre session in Breweries. **Mansfield**, annual results today, added 4 more to 222p, while **Hardys and Hansons**, interim expected today, firmed 3 to 368p. Wines and Spirits were also subdued, although **Distillers** stood out with a gain of 4 at 222p.

Buildings provided the odd bright spot after a quiet trading session. **Roberts Adlard** encountered buying interest and put on 9 to 125p along with **PC Henderson**, which gained 7 to 145p. Press comment stimulated occasional support for **Rowlinson Construction**, 5 to the good at 51p. Among the leaders, **Blue Circle** hardened 4 to 478p and **Taylor Woodrow** 5 to 543p.

Among Chemicals, **ICI** edged up 4 to 286p.

Polly Peck volatile

Interest in secondary Stores was again centred on Mr Asil Nadir's holdings. Press comment highlighted the company's asset value prompted early support for **Polly Peck** which jumped to 385p; profit-taking was evident at this level, however, and the shares reacted to close 5 down on balance at 363p. **Cornell Dresses** moved similarly and, after touching 185p in the early trade, ended a net 2 cheaper at 173p. Mail-orders were unsettled by reports that increased bank charges will have an adverse effect on profits. **Grattan** eased 2 to 92p, as did **Empire**, 110p, and **Freemans**, 120p. The leaders remained quiet, although **House of Fraser** ended 2 up at 178p, after 180p.

Awaiting preliminary results from **Racal** and **Plessey**, leading Electricals enjoyed another relatively brisk trade. **Racal**, due to report today, touched 378p, before settling at 376p for a rise of 9, while **Plessey**, reporting on Thursday, closed 6 dearer at 330p. **GEC** continued to make good progress with a fresh rise of 16 to 705p. Elsewhere, movements were usually limited to a few pence either way. **Whitworth** encountered occasional demand and put on 4 to 64p, while **Concord Rotaflex** hardened 2 to 49p. **Petbow** closed a penny firmer at 60p: the annual results are due on Thursday.

Engineering leaders were inclined harder, **Hawker** edging up 4 to 324p and **Tubes** a few pence to 168p. **Anderson Strathclyde** firmed 3 to 101p in response to the increased annual profits, while **Mining Supplies** hardened 2 to 180p in sympathy. Scattered support lifted **McKechnie** 3 to 111p and **Edbro** a similar amount to 54p, but **Francis Shaw** gave up 2 to 16p on the passing of the final dividend and sharp fall in annual profits. **Ash and Lacy**, a good market of late, reacted 4 to 294p.

Foods were narrowly irregular, but **J. Sainsbury** stood out with a gain of 9 at 399p, while renewed speculative demand lifted **Nurdin and Peacock** 8 to 255p. **Albert Fisher** gained the turn to 12½p in front of today's interim statement.

Trusthouse Forte, interim results due Thursday, firmed 5 to 158p. Elsewhere in Hotels, **Prince of Wales** rose 3 to 75p after favourable comment.

Powell Duffryn firm

Trading in the miscellaneous industrial leaders was exceptionally thin and the closing trend mixed. **Beecham** firmed 5 to 218p, after 219p, while **Glaxo** hardened 2 to 366p as did **Metal Box**, to 178p, and **Unilever**, to 580p. **BOC International**, however, cheapened a penny to 123p and the 9 per cent Convertible 2001-06 lost a point to £97, after £95, on news that 73 per cent of the £82m Convertible had been left with underwriters. **Powell Duffryn** rose 9 to 286p on buying ahead of tomorrow's preliminary results, while **Sidlaw** gained 7 to 174p in response to Press comment. Others to benefit from Press mention included **Hanson Trust**, which touched 288p before closing 4 up at 286p and **Bardsey**, 2 harder at 25p, after 26p. **Wilkins and Mitchell**, at 20p, retrieved 4 of last Friday's fall of 8 which followed news of the £2.8m annual deficit and final dividend omission. **Ricardo** revived with a gain of 20 to 470p on renewed investment demand, while **EIS** continued firmly at 151p, up 7, and **Sale Tilney**, 208p, and **BTR**, 326p, rose 8 and 6 respectively.

Harris and Sheldon hardened 2 to 32p before dealings were suspended at that level around 3 pm pending an announcement. **Applied Computer** retreated from an initial firm level of 145p to close 11 down on the day at 131p following disappointing preliminary figures.

Movements in Motors usually favoured holders. Having announced sizeable full-year losses last week, **Jonas Woodhead**, 38p, and **ERF**, 44p, added 6 and 5 respectively on recovery prospects, the latter being additionally helped by the return to four-day working. Renewed support lifted **Supra** 3 more to 53p, but **Flight Refuelling** encountered further profit-taking and eased 8 to 357p.

Paper/Printing issues displayed an irregular appearance. The substantial reduction in annual profits clipped 5 from **James Cropper**, 133p, but support was noted for **Brunning**; the Ordinary rose 4 to 72p, while the Restricted Voting added a like amount to 68p. **Geers Gross** were quoted at 123p ex-the-rights issue, with the new nil-paid opening at 31½p premium and closing at 33½p premium.

Among the quietly firm Property leaders, **MEPC** rose 6 to 228p in response to Press comment and **Land Securities** gained 5 to 390p. Elsewhere, **Property Partnerships** gained 7 to 260p following the results and property revaluation, while **Trust Securities** continued firmly at 378p, up 3.

Sovereign feature

BP traded firmly around 330p for most of the day before closing unchanged on balance at 326p; dealings start ex the rights issue today. Elsewhere, the trend was to higher levels, **Shell** improving 4 to 346p and **Lasmo** 8 to 552p. Publicity given to a broker's circular stimulated interest in **Sovereign** which advanced to close around the day's best with a rise of 25 at 350p. **Global Natural Resources** gained 40 to 930p, but **S. and K. Petroleum** fell 11 to 205p.

Among Financials, **English Association** were quoted ex rights, with the new shares at 35½p premium.

Shippings trended easier, losses of 2 being marked against **Ocean Transport**, 128p, and **W. Runciman**, 140p, while **Milford Docks** lost 4 to 108p.

Textiles closed firmer for choice. Reflecting the good results from Dawson International last week, **Nottingham Manufacturing** attracted investment buying and rose 6 to 144p. **Tern-Consulate**, a dull market of late following the annual loss, rallied 12 to 61p on speculative support, while **Nova (Jersey) Knit**, results today, picked up a couple of pence to 77p. **Stroud Riley Drummond** added 3 to 64p, while the increased preliminary profits and dividend lifted **Davenport Knitwear** a similar amount at 185p.

RTZ advance

London Financials featured generally quiet mining markets yesterday, with persistent bid rumours lifting **Rio Tinto-Zinc** a further 10 to 535p and **Charter Consolidated** putting on 7 to 240p ahead of the annual results, due today. **Consolidated Gold Fields** followed the trend with a rise of 5 to 457p.

The gold price moved within a narrow trading range, finally closing $4 firmer at $462.50, and the Gold Mines index gave up 1.6 to 312.1.

Among the heavyweights, **Randfontein Estates** fell 1¼ to £23¼, while **West Driefontein**, £37¼, and **Western Holdings**, £27¼, both shed ¼. **Blyvoor** shone in the lower-priced issues with a jump of 33 to 707p; **Libanon**, at 922p, closed a similar amount cheaper. Declines of around 20 were common to **Durban Deep**, 833p, **ERPM**, 631p, and **Free State Development**, 230p.

South African Financials were mostly weaker where changed, with **Johnnies** giving up 1½ to £33¼ and **Gold Fields of South Africa** ¼ lower at £35¼. **Sentrust** lost 15 to 341p, and **UC Investments** fell 10 to 550p.

Elsewhere, **Minorco** fell 5 to a low for the year of 512p.

Australians attracted little attention, and most movements were in line with overnight indications from domestic markets. **Peko Wallsend** lost 35 to 455p and **Pancontinental Mining** gained 15 to 390p, after 395p. Favourable Press comment lifted the coal producer **Meekatharra Minerals** 20 to 410p.

FINANCIAL TIMES STOCK INDICES

	June 22	June 19	June 18	June 17	June 16	June 15	A year ago
Government Secs.	66.15	65.78	66.16	66.67	66.70	67.16	70.05
Fixed Interest	67.45	67.35	67.76	67.84	68.00	67.96	70.84
Industrial Ord.	544.3	541.4	541.1	544.8	551.4	547.8	469.8
Gold Mines	312.1	313.7	321.2	324.2	327.5	344.8	319.7
Ord. Div. Yield	5.89	5.94	5.96	5.91	5.84	5.88	7.65
Earnings, Yld. % (full)	11.75	11.85	11.88	11.76	11.62	11.70	18.41
P/E Ratio (net) (*)	10.61	10.52	10.53	10.61	10.74	10.66	6.61
Total bargains	18,500	17,082	18,484	18,104	19,522	21,000	22,698
Equity turnover £m.	—	118.51	135.50	106.67	157.13	172.80	128.56
Equity bargains	—	14,003	15,764	13,652	16,849	14,995	16,402

10 am 543.1. 11 am 544.1. Noon 543.9. 1 pm 543.4.
2 pm 543.6. 3 pm 543.7.
Latest Index 01-246 8026.

*Nil=9.82.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/3)	64.94 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/3)	67.17 (9/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (6/1)	281.4 (28/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 19	June 18
—Daily		
Gilt Edged Bargains	153.7	133.6
Equities Bargains	90.7	102.1
Value	239.5	273.9
5-day Avrge.		
Gilt Edged Bargains	153.6	157.1
Equities Bargains	92.6	99.5
Value	279.2	299.0

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (53)

BRITISH FUNDS (1)
AMERICANS (2)
BANKS (2)
BEERS (2)
BUILDINGS (2)
CHEMICALS (2)
DRAPERY AND STORES (4)
ELECTRICALS (2)
ENGINEERING (5)
FOODS (3)
INDUSTRIALS (10)
INSURANCE (1)
MOTORS (1)
PAPER (2)
PROPERTY (1)
SHOES (1)
TEXTILES (3)
TRUSTS (7)
OVERSEAS TRADERS (1)
MINES (1)

NEW LOWS (15)

LOANS (1)
Doc 'A' 1991-94
INDUSTRIALS (2)
Man. Ship Canal — Rowan and Boden
TEXTILES (1)
Snia Viscosa

OIL AND GAS (1)
CCP North Sea
RUBBERS (1)
Rightwise
MINES (9)
East Rand Prop. — Pres. Brand
Randfontein Estates — Pres. Steyn
West Rand — Minorco
South African Land — Hemerdon
Loraine

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	—	8
Corpns. Dom. and Foreign Bonds	12	3	54
Industrials	230	169	968
Financial & Props.	114	62	318
Oils	20	19	51
Plantations	2	5	16
Mines	29	50	89
Others	31	82	72
Totals	525	390	1,576

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Applied Computer	131	−11	Plessey	330	+6
BOC 9pc Cnv. '01-'06	£97	−1	Polly Peck	363	−5
Charter Cons.	240	+7	Racal Elec.	376	+9
Cornell Dresses	173	−2	RTZ	535	+10
GEC	705	+16	Tern-Consulate	61	+12
Hambro Life	394	+9	Woodhead (J.)	38	+6

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
GEC	16	689	+19	ICI	10	282	+2
Cambridge Elct.	15	88	+2	Law Land	10	93	+1
Star Computer	13	210	+5	Plessey	10	324	+7
Polly Peck	11	368	+20	Thorn EMI	10	382	+2
Shell Trans.	11	342	+2	BAT Inds.	9	357	−3
BP	10	326	−4	Unilever	9	578	—
Eur. Ferr. New	10	50pm	−4	Wedgwood	9	91	+2

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 22	July 3	Sept. 24	Oct. 5
July 6	July 17	Oct. 8	Oct. 19
July 20	July 31	Oct. 22	Nov. 2

For rate indications see end of Share Information Service

Stocks favoured for the call included Intervision, Premier Oil, Carless Capel, Cambridge Electronic, Euro Ferries, GEI, Tubes, Eagle Resources, Montague L. Mayer, Concord Rotaflex, Royal Bank of Scotland and Keith Collins Petroleum. Puts were struck in KCA, Burmah, Ultramar, Keith Collins Petroleum and Concord Rotaflex, while a double was taken out in FNFC.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon., June 22, 1981 — Fri. June 19 — Thurs. June 18 — Wed. June 17 — Tues. June 16 — Year ago (approx.)

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

PRICE INDICES / AVERAGE GROSS REDEMPTION YIELDS

[illegible]

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26p.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 92.6 92.7 ... 14.56
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Grueneburgweg 113, 6000 Frankfurt
Investa DM33.60 35.30 +0.15 —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. June 16 $4.90 5.15 ... —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra DM17.62 18.06 +0.17 —
Int. Rentenfonds DM63.22 64.80 +0.18 —

Dreyfus Intercontinental Inv. Fd.
P.O. Box N3712, Nassau, Bahamas.
NAV June 16 US$33.11 35.22 ... ...

Duncan Lawrie Inv. Mgt. (Jersey)
15-17, New St., St. Helier, Jersey 0534 73637
DL Sterling 39.0 40.9 ... 7.20
DL International $1.34 1.41 ... 5.30

Emson & Dudley Tst. Mgt. Jrsy. Ltd.
P.O. Box 73, St. Helier, Jersey. 0534 73933
E.D.I.C.T. 162.0 173.8 ... 2.20

The English Association
4 Fore Street, EC2. 01-588 7081
E. A. Income Fund* 66.0 70.3 ... 7.11
E. A. Sterling* £69.04 69.09 ... —
E. A. Equity* £70.04 74.52 ... 1.68
Wardgate Cm. Fd.** £17.20 17.80 ... 2.79
*Next dealing June 24. **Next dealing June 30.

Eurobond Holdings N.V.
Pietermaai 15, Willemstad, Curacao.
London Agents: Intel 15 Christopher St., EC2.
Tel: 01-247 7243. Telex 8814408.
Euro Hldgs. US$20.05 20.65 ... 9.20

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse., London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations US$42.52 −0.13 1.93

F & C Mgmt. Ltd. Inv. Advisers
1, Laurence Pountney Hill, EC4. 01-623 4680
F&C Atlantic Fd. SA US$12.27 −0.32 1.22

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	262.7	276.5	.....	3.94

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Pro. Fund May 31	160.70		.....	6.76
Wider Fund May 31	274.60		.....	4.92
Narrower Fd. May 31	75.50		.....	13.50

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American	75.4	80.7	-1.0	1.83
(Accum. Units)	81.0	86.7	-1.1	1.83
American Recovery	88.1	94.3	-1.1	1.58
(Accum. Units)	91.0	97.4	-1.1	1.58
Australasian	111.7	119.5	.....	0.93
(Accum. Units)	116.9	125.1	.....	0.93
Commodity	149.0	159.4	-0.2	2.71
(Accum. Units)	175.2	187.5	-0.3	2.71
Compound Growth	194.6	210.2	-0.1	2.91
Conversion Growth	130.2	139.3	-1.0	2.72
Conversion Income	78.7	84.2	-0.7	8.84
Dividend	135.0	145.1	-0.9	9.15
(Accum. Units)	308.8	332.0	-2.1	9.15
European	60.0	64.5	-0.1	3.42
(Accum. Units)	65.8	70.7	-0.1	3.42
Extra Yield	87.4	95.3	-0.5	9.14
(Accum. Units)	142.2	155.0	-0.7	9.14
Far Eastern	143.7	154.8	+1.4	1.05
(Accum. Units)	164.5	176.0	+1.7	1.05
Fund of Inv. Tsts.	99.4	106.9	.....	4.33
(Accum. Units)	135.7	145.9	.....	4.33
General	242.4	260.6	-0.8	5.81
(Accum. Units)	420.1	451.6	-1.4	5.81
Gilt Income	44.6	46.8	-0.1	10.96
(Accum. Units)	46.3	48.6	.....	10.96
High Income	115.0	123.0	-0.5	8.52
(Accum. Units)	237.1	253.7	-1.1	8.52
Japan	197.0	205.4	-2.4	0.65
(Accum. Units)	202.0	216.1	-2.5	0.65
Magnum	356.1	377.5	-1.7	5.08
(Accum. Units)	492.5	522.1	-2.3	5.08
Midland	172.2	184.5	-0.3	8.88
(Accum. Units)	340.1	361.9	-0.6	8.88
Recovery	135.2	144.7	-0.6	4.66
(Accum. Units)	153.6	164.3	-0.8	4.66
Second General	266.7	286.7	-0.3	4.81
(Accum. Units)	452.1	486.0	-0.5	4.81
Smaller Companies	280.7	300.3	-0.1	3.90
(Accum. Units)	384.8	411.7	-0.2	3.90

Schroder Unit Trust Managers Ltd.
48, St. Martin's Lane, WC2 Dealings 0705 27733

Capital	181.7	195.7	+1.8	2.38
(Accum. Units)	235.2	252.9	+2.4	2.38
Income Fnd	230.1	247.6		7.76
(Accum. Units)	407.0	437.8	+0.1	7.76
Gen.	137.2	147.5	+0.5	3.56
(Accum. Units)	185.8	199.7	+1.1	3.56
Europe	21.6	23.2	-0.1	2.67
(Accum. Units)	25.9	27.7	-0.1	2.67
Smaller Co's	157.4	169.2	+0.6	2.48
American	57.7	62.0	+0.6	0.52
(Accum. Units)	57.7	62.0	+0.6	0.52
Tokyo	57.7	62.0	...	0.20
(Accum. Units)	57.7	62.0	...	0.20
Gilt & Fixed	46.2	48.6	+0.4	11.52
(Accum. Units)	46.2	48.6	+0.4	11.52
Australian	55.4	60.2	.....	1.76
(Accum. Units)	55.4	60.2	.....	1.76
*Pn. & C. Fd. May 26	246.0	258.9	.....	4.84
*Recovery June 9	321.0	337.8	.....	3.80
*Spec. Ex. June 9	506.6	533.2	.....	1.94
*Euro.Exempt June 18	109.0	114.7	.....	2.01

*For tax exempt funds only.

Scottish Amicable Inv. Mngrs. Ltd.
150 St. Vincent St., Glasgow 041-221 8844

Equity Trust Accum.	103.9	112.2	+0.5	5.56

Scottish Equitable Fnd. Mgrs. Ltd.♥
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	66.6	70.8	.....	4.94
Accum. Units	86.0	91.5	.....	4.94

Dealing day Wednesday.
For Sebag see Carr, Sebag Unit Trust Managers.
For Security Selection see McAnally Fund Management.

SIMCO Money Funds
66, Cannon Street, EC4N 6AE 01-236 1425

SIMCO Call Fund†	100.0	—	.....	11.09
SIMCO 7-Day Fund†	100.0	—	.....	11.24

†Unauthorised—Cash Deposit Funds.

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271

*Stewart American Fund

Standard Units	102.3	109.1	-0.5	1.96
Accum. Units	111.4	118.9	-0.5	—
Withdrawal Units	83.5	89.2	-0.4	—

*Stewart British Capital Fund

Standard	203.0	216.2	.....	6.35
Accum. Units	237.2	253.2	.....	6.35

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99 31/32	99 17/32	Exch. 9½pc 1981	99 31/32	......	9.53	11.94
98 7/16	93¾	Exch. 3pc 1981	98 7/16	+1/32	3.04	12.02
99 11/32	99⅛	Treas. Variable '81§§	99¼	......	12.50	13.05
100 5/16	99 5/16	Exch. 12¼pc 1981‡‡	100	......	12.75	12.48
98⅛	95 13/16	Treas. 8½pc '80-82‡‡	98xd	......	8.67	12.27
95	91⅞	Treasury 3pc '82‡‡	94⅜	+⅛	3.18	12.21
102 3/16	100½	Treasury 14pc '82‡‡	101	......	13.86	12.37
99½	98 7/16	Treas. Variable '82§§	99½	......	12.53	13.01
96¼	93 13/16	Treasury 8¼pc '82	96¼xd	+⅜	8.58	12.38
96 7/16	93 11/16	Exch. 9¼pc 1982	95½	+⅜	9.69	13.16
95	92⅝	Exch. 8¾pc 1983	94¼xd	+⅜	9.23	12.61
89¼	84⅞	Exch. 3pc 1983	88⅝	......	3.39	10.60
99⅝	96⅛	Treasury 12pc 1983‡‡	97⅝	+⅜	12.29	13.51
99	96¾	Treas. Variable '83§§	99	......	12.59	13.04
94⅛	91¼	Treasury 9¼pc '83	93¼xd	+⅜	9.87	12.81
101 13/16	98¼	Exch. 13½pc '83	99⅝	+⅜	13.55	13.62
94⅛	91¼	Exch. 10pc 1983	93	+⅜	10.75	13.41
87¼	84½	Funding 5½pc '82-84‡‡	86½xd	+¼	6.36	11.75
96¾	93	Exch. 11¼pc 1984	94⅜	+⅜	11.92	13.81
103 3/16	92⅞	Exchequer 14pc 1984	100¼	+⅜	13.97	13.87
80⅝	78½	Exch. 3pc 1984	80¼	+⅛	3.74	10.92
98⅝	94	Treasury 12pc 1984	95⅜	+⅜	12.58	13.74
107¼	101⅞	Treasury 15pc 1985	103⅛	+⅜	14.55	13.80
98⅞	93⅛	Exch. 12pc Cnv. '85	94½	+⅜	12.70	13.90
75¾	73¼	Treasury 3pc 1985	75¼	+⅛	3.99	10.94
96 1/16	91½	Treasury 11½pc 1985●	93⅛	+½	12.35	13.76
98⅝	93	Exch. 12¼pc 1985	94⅜	+½	12.98	13.97
97⅛	91	Exch. 11¾pc '86	92⅜	+½	12.72	14.00
70 3/16	68¾	Treasury 3pc 1986●	69 3/16	+1/16	4.34	11.40
97 13/16	91¼	Treasury 12pc '86	93¾	+½	12.87	13.93

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		Public Board and Ind.				
64	58	Agric. Mt. 5pc '59-89	61	......	8.17	12.88
29½	26	Met. Wtr. 3pc 'B'	26¾	+½	11.60	13.85
114	98½	U.S.M.C. 9pc 1982	105	......	8.57	—
97¼	91	Do. without Warnts.	92½	......	9.80	17.00
		Financial				
101½	98	FFI 14pc '83	98¾	......	14.18	14.61
92	88½	FFI(UK Fn)5½pcDb. '80-2	91½	+½	6.10	14.56
83½	79	Do. 6¼pcDb. '81-84	79	......	7.99	14.60
93	85½	Do. 10½pc Uns.Ln. '86	86xd	+½	12.20	14.80
92	81¼	Do. 11pc Uns.Ln. '88	83xd	+½	13.25	14.50
92	83½	Do. 11¾pc Uns.Ln. '90	84xd	+½	13.98	15.10
94½	83½	Do. 12½pc Un. Ln. 1992	88½	......	14.64	15.30
64½	58	Do. 7¼pcADeb. '89-92	58½	......	12.54	15.10
62	57½	Do. 7¼pcADeb. '91-94	58	......	12.96	15.00
72½	67½	Do. 9pc 'A' '91-94	67½	−¼	13.85	15.20
70	64½	Do. 8⅞pc Ln. '92-97	64½	......	14.56	15.40

FOREIGN BONDS & RAILS

1981 High	1981 Low	Stock	Price £	+ or −	Div. % Gross	Red. Yield
80	58	Antofagasta Rly.	80	......	—	—
55	55	Do. 5pc Pref.	55	......	—	—
98	98	Chilean Mixed	98	......	3	f3.10
28	15	Chinese 4½pc 1898	15	......	—	—
22	14	Do. 5pc 1912	14	......	—	—
18	9	Do. 5pc 1913	9	......	—	—
16	9	Do. 5pc '25 Boxer	9	......	—	—
94	80¼	Denmark 13pc 2005.	81¾	+¼	13	15.92
40	36	Greek 7pc Ass.	40	......	3½	f8.83
35	33	Do. 6pc 28 Stb. Ass.	35	......	3	f8.84
32	30	Do 4pc Mixed Ass.	32	......	2	f6.42
52	48	Hung. '24 Ass.	48	......	2¾	f5.75
20½	17½	Hydro Quebec 15pc Ln 2011.	19¼	+½	15	15.67
67	62	Iceland 6½pc '83-88	67	......	6½	14.50
102	91	Do. 14½pc Ln. 2016	92½	+¾	14½	16.38
90¼	83½	Ireland 7½pc '81-83.	85	......	7½	16.01
79¼	68½	Do. 9¾pc '91-96	73¼	......	9¾	14.60
195	180	Japan 4pc '10 Ass	193	......	—	—
79	67	Do. 6pc '83-88	67	......	6	14.01
165	155	Peru Ass. 2007	165	......	5.22	f3.17
20	13½	Pet. Mx 14½pc '06.	14¾	+¼	14½	15.99
100 5/16	93¾	Sweden 13½pc 1986	94¾	−¼	13½	15.07
$79	$77	Turin 9pc 1991	$77½	......	—	f11.61
DM90	DM90	Turin 6½pc 1984.	DM90	......	—	9.45
96	96	Uruguay 3½pc	96	......	3½	3.86

AMERICANS

1981 High	1981 Low	Stock	Price £	+ or −	Div. Gross	C'vr	Y'ld Gr's
27⅝	19⅝	ASA	24xd	−¼	$5.00	—	9.9
27⅝	27⅜	AMF 5% Conv. '87	27½xd	......	5%	—	f11.4
16	912p	Abbott Labs.‖	15½	−½	h72c	—	2.2
30⅜	16½	Amax $1	25½xd	−½	$2.40	—	4.5
21¼	16¼	Amdahl	17⅞	−¼	Q40c	—	1.1
27⅝	16⅝	Amer. Express $0.60	25⅜	−⅝	♦$2.00	—	3.8
24⅝	15½	Amer. Medical Intl. $1	22¼	−¾	64c	—	1.3
14⅞	11¼	Bank America Corpn.	13⅝	−¼	$1.52	—	5.4

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPERS, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance, Land, etc.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
43	32	Acmex 50c	43	......	Q2.5c	—	3.4
41	14	ACM 20c	38	......	—	—	—
21	14	Argosy Gold NL 25c	17	......	—	—	—
226	137	Bond Corp.	224	......	Q7½c	1.9	1.9
104	76	Bougainville I Kina	98	......	Q25.7c	1.0	15.0
302	214	CRA 50c	264	–4	Q19c	1.7	4.1
25	16	Canada Northwest	16	......	—	—	—
35	16	Carr Boyd 20c	18	......	—	—	—
415	80	Central Pacific	95	......	—	—	—
35	15	Cons. Gold Mr. N.L. 50c	15	......	—	—	—
47	28	Cultus Pacific N.L.	34	......	—	—	—
63	22	Eagle Corp. 10c	52	......	—	—	—
40	29	Endeavour 20c	29½	+½	—	—	—
500	310	G. M. Kalgoorlie 25c	410	......	†Q13c	ϕ	1.8
25	9	Great Eastern	9	......	—	—	—
275	180	Hampton Areas 10p	210	......	2.5	ϕ	1.7
168	46	Haoma Gold N.L.	48	......	—	—	—
85	32	Intl. Mining	33	......	—	—	—
100	44	Jimberlana 50c	46	......	—	—	—
245	135	Kitchener NL 25c	160	+5	—	—	—
105	40	Leichhardt Expln.	55	......	—	—	—
430	275	Meekatharra	410	+20	—	—	—
70	49	Metals Ex. 50c	60	......	¶Q3c	2.9	2.6
38	20	Metramar Mns. 20cs.	30	–2	—	—	—
20	10	Mid East Mins. NL	11	......	—	—	—
290	190	M.I.M. Hldgs. 50c	270	–6	‡Q27.1c	1.7	‡
21	10	Minefields Expl. 25c	14	......	—	—	—
123	83	Mount Lyell 25c	116	......	‡†Q15c	1.7	7.5
20	13	Newmetal 20c	16	......	—	—	—
69	41	Nickelore N.L.	62	......	—	—	—
204	149	North B. Hill 50c	192	+2	Q18c	3.1	5.5
84	50	Nth. Kalgurli	71	......	—	—	—
175	94	Nth. Mining Corp.	153	–2	—	—	—
122	36	N. West Mining N.L.	36	......	—	—	—
150	106	Oakbridge 50c	145	......	tQ12c	1.1	4.8
185	138	Oilmin N. L.	152	......	—	—	—
186	164	Pacific Copper	180	......	—	—	—
605	375	Pancont 7 25c	390	+15	—	—	—
81	42	Paringa M.&Ex. 5p	81	......	—	—	—
525	375	Peko-Wallsend 50c	455	–35	‡Q22½c	ϕ	2.8
43	27	Pelsart Res NL	34	......	—	—	—
120	85	Seltrust A	95	......	—	—	—
157	34	Southern Pacific	42	......	—	—	—
85	40	Swan Resources 20c	72	......	—	—	—
400	9½	West Coast 25c	13½	......	—	—	—
325	227	Westn. Mining 50c	310	......	Q14c	1.6	2.6
27	16½	Westmex	17	......	—	—	—
76	46	Whim Creek 20c	60	......	—	—	—
101	58	York Resources	66	......	—	—	—

Tins

1981 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
16	9	Amal Nigeria 1p	9½	......	‡6.0	—	—
300	245	Ayer Hitam $M1	245	......	‡Q205c	1.0	‡
103	54	Beralt Tin	103	+1	‡5.0	3.3	6.9
255	98	Geevor	100	......	—	—	—
10	8	Gold & Base 12½p	9½	......	—	—	—
660	540	Gopeng Cons.	540	......	‡30.0	1.8	‡
450	360	Hongkong	360	......	21.0	ϕ	8.3
125	115	Idris 10p	122	......	9.0	ϕ	10.5
16½	13	Jantar 12½p	16½	+1	1.5	ϕ	13.0
93	85	Kamunting $M0.50	85	......	‡Q80c	1.0	‡
600	363	Killinghall $M1	600	......	‡Q66.7c	ϕ	2.3
114	88	Malay Dredging 10c	114#	......	‡bQ38c	0.9	6.8
68	30	Pahang	63	......	0.63	0.8	1.4
118	90	Pengkalen 10p	105	......	3.5	0.6	4.8
380	325	Petaling $M1	325xd	......	‡Q180c	1.4	‡
25	19	South Crofty 10p	24#	......	‡1.0	4.4	‡
225	200	Sungei Besi $M1	215	......	‡Q480c	1.1	‡
180	95	Supreme Corp. $M1	170	......	‡Q15½c	ϕ	1.9
118	116	Tanjong 15p	118xd	......	23.5	ϕ	4.2
90	75	Tongkah H. Tin $Sm	75	......	Q23%	0.4	6.1
410	340	Tronoh $M1	340	......	Q110c	1.2	6.6

Copper

1981 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
335	165	Messina R0.50	320	......	†Q45c	4.7	8.3

Miscellaneous

1981 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
175	142	Anglo-Dominion	160	+5	—	—	—
55	40	Barymin	46	......	—	—	—
25½	14	Burma Mines 10p	21½	–½	0.75	0.9	5.0
330	180	Colby Res. Corp.	260	+10	—	—	—
275	200	Cons. Murch. 10c	250	......	tQ30c	1.8	6.9
98	67	††Hemerdon 10c	67	–1	—	—	—
180	135	Highwood Res.	140	+5	—	—	—
400	300	Northgate C$1	340	+5	—	—	—
580	372	R.T.Z.	535	+10	16.0	3.2	4.3
£125	£93½	[illegible]	£118	+3	Q9½%	—	F8.5
143	110	††SPO Minerals 10p	110#	......	—	—	—
47	30	Sabina Inds. C$1	31	......	—	—	—
44	28	††SWCM 10p	35	......	—	—	—
550	465	Tara Expln. $1	522	–3	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∞ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

				IRISH	
Albany Inv. 20p	43	......	Conv. 9% '80/82	£92⅞	......
Bertam	13	......	Nat. 9¾% 84/89	£73⅞	–⅛
Bdg'wtr. Est. 50p	465	......	Fin. 13% 97/02	£78¾	......
Craig & Rose £1	£12¼	+¼	Alliance Gas	77	......
Finlay Pkg. 5p	21	......	Arnott	232	......
Graig Ship. £1	£20	......	Carroll (P.J.)	88	......
Higsons Brew	70	–3	Concrete Prods.	90	......
Holt (Jos) 25p	480	......	Helton (Hldgs.)	28	......
I.O.M. Stm. £1	157	......	Ins. Corp.	420	......
Pearce (C. H.)	940	......	Irish Ropes	50	......
Peel Hldgs.	100	......	Jacob	98	......
Sheff. Refrshmt	98	......	T.M.G.	17	......
Sindall (Wm.)	195	......	Unidare	100	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	14	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	20	Vickers	18
B.S.R.	7	"Imps"	7	Woolworths	6
Babcock	11	I.C.L.	6	**Property**	
Barclays Bank	36	Ladbroke	30	Brit. Land	8
Beecham	18	Legal & Gen.	20	Cap. Counties	11
Blue Circle	35	Lex Service	10	Land Secs	37
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	24	"Lofs"	4½	Peachey	15
Brit. Aerospace	17	London Brick	7	Samuel Props.	13
B.A.T.	25	Lucas Inds.	18	Town & City	2¾
Brown (J.)	9	"Mams"	20	**Oils**	
Burton Ord.	14	Mrks. & Spncr	11	Brit. Petroleum	38
Cadburys	7½	Midland Bank	26	Burmah Oil	16
Courtaulds	7	N.E.I.	8	Charterhall	8
Debenhams	10	Nat. West. Bank	32	KCA	22
Distillers	17	P & O Dfd.	12	Premier	7½
Dunlop	8½	Plessey	28	Shell	32
Eagle Star	25	Racal Elect.	34	Tricentrol	30
F.N.F.C.	3	R.H.M.	5	Ultramar	44
Gen. Accident	30	Rank Org. Ord.	18	**Mines**	
Gen. Electric	60	Reed Intnl.	25	Charter Cons.	21
Glaxo	28	Sears	5	Cons. Gold	45
Grand Met.	18	Tesco	5½	Lonrho	9
G.U.S. 'A'	44	Thorn EMI	30	Rio T. Zinc	45
Guardian	30	Trust Houses	15		
G.K.N.	15	Tube Invest.	18		
Hawker Sidd.	25	Turner & Newall	10		
		Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

FINANCIAL TIMES
Tuesday June 23 1981

'EMERGENCIES ONLY' ACTION PLANNED FOR FRIDAY

Ambulancemen strike again

BY PAULINE CLARK, LABOUR STAFF

A SECOND day of "emergencies only" action is planned for Friday by ambulance staff across the country. The action was called by their unions in support of a 15 per cent pay claim.

At the same time leaders of London's 2,300 ambulance staff decided to continue their own strategy in defiance of the national union leadership and go ahead with another 24-hour stoppage without warning and without maintenance of emergency services in the capital this week.

The stoppage would be a repeat of the all-out strike in the capital on Monday of last week which put a serious strain on the London ambulance service.

It is unlikely to be called on Friday, however, because of the London group's determination not to ally themselves with the national campaign which they believe will not be effective enough to bring the pay dispute to an early end.

Friday's action is not expected to result in a call for help from ambulance corps of the armed services, but the National Union of Public Employees warned yesterday that an "increasing number of branches" were calling for all-out action without emergency cover.

During last Wednesday's first round of national action, said to be 80 per cent supported by the unions, RAF ambulance servicemen were called out in Glamorgan, South Wales.

Emergency services were withdrawn in several other areas where unions claimed management had sent home ambulancemen involved in action.

Troops were also put on standby throughout the first day of action by London ambulance staff although the combined use of police vehicles and the services of voluntary agencies was able to cope with the reduced number of 999 calls.

Scottish ambulance staff also staged the latest in their series of one-day strikes yesterday with walkouts in Greater Glasgow, Paisley, Ayr, Bute and Cumbrae as well as in the Grampian area which includes Aberdeen. Police provided emergency cover.

Mr Bob Jones, national officer in Nupe and chief negotiator for the country's 17,000 ambulance staff, predicted there would be "overwhelming" support for the strike call on Friday. "There is a need to continue industrial action to impress upon the Government that their 6 per cent pay offer is totally unacceptable," he said.

Ambulance staff are seeking to preserve the value of their 1979 pay comparability award and want recognition as a third arm of the country's emergency services alongside police and firemen.

Yesterday's decision by London ambulance staff conveners' followed a ballot which they said had shown "overwhelming" support for further action after 90 per cent backing for the last unofficial stoppage.

Money control system to change

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MAJOR CHANGES in the system of monetary control to give the Bank of England greater flexibility in its market operations will be introduced from the middle of August.

The Bank has sent out draft provisions. Following further consultations, a final version will be produced in about a month's time. The new system will begin to come into operation on August 20.

The provisions are broadly along the lines of a background note published just after the Budget in March. The key feature is that a cash ratio should become the fulcrum of a new system of money market management rather than a reserve asset ratio. At present, banks are required to hold a specified proportion of their eligible liabilities (most of their deposits) in certain assets.

The changes represent a new institutional structure involving a wider range of financial organisations than now. These moves are in parallel to a series of Bank actions since last November aimed at increasing the influence of the money markets on short-term interest rates.

These two changes together leave until later the crucial and highly controversial question of the criteria by which the Bank should act.

Professor Alan Walters, the Prime Minister's economic adviser, and some City University economists have urged that interest rate policy should be directly related to movements in the monetary base.

But the Bank has been sceptical of this idea and there seems to be little general support in Whitehall for its early introduction.

The main points in the draft provisions are:

- Confirmation that all recognised banks and licensed deposit takers will have to place non-interest-bearing deposits equivalent to ½ per cent of their eligible liabilities with the Bank. This replaces the present 1½ per cent requirement solely on the clearers.
- Recognition that the finance houses face transitional problems which may require temporary alleviation.
- Criteria for the expanded club of banks whose bills are eligible—a list will be published next month.
- Expansion of the list of bodies included in the monetary statistics, notably to include trustee savings banks.
- A timetable for the new arrangements.

The proposals have been much debated within the City in the past three months. There has been criticism from the clearing banks which believe the proposals unfairly favour the discount houses and money-brokers. The clearers would have liked greater emphasis on the interbank market.

No date has been fixed for the phasing out of the Minimum Lending Rate, which has largely ceased to have any operational meaning, and its replacement by an unpublished band in which the Bank would try to keep short-term interest rates.

Details, Page 8

Liquidators to sue Romanians

By John Griffiths

THE ROMANIAN government faces writs seeking damages of at least £1.5m, following the collapse of Tudor Vehicle Imports (UK), the Yorkshire-based importer of Romanian four-wheel-drive Aro and Tudor commercial vehicles.

Tudor, formed in 1978, went into voluntary liquidation last week. The writs, which the liquidators are expected to order to be issued in the next few days, allege the Romanians have failed to honour an agreement signed on November 14 last year.

It provided for the Romanian government to acquire a 75 per cent shareholding in Tudor, to supply £100,000 worth of spare part stocks and to provide long-term credit lines and the financial support to set up a full dealer system.

The liquidators, Chalmers Impey and Co. and DG Horton and Co., were appointed after a creditors' meeting at which it was agreed unanimously to take proceedings against Romania.

Last November's agreement bears the signatures of the Romanian Foreign Trade Ministry, Autoexport (the State vehicles export arm), Auto Dacia, which manufactures a version of the Renault 12 called the Dacia, Tudor Vehicles and its bankers, Bank of Credit and Commerce International.

Its provisions were to have become effective on January 15 last.

Tudor was to start assembling the Dacia this autumn at a six-acre site at Brighouse, Yorkshire, building up to 10,000 vehicles a year by 1984.

At the time the agreement was signed, late last year, Tudor already was in financial difficulties caused by last year's steep downturn in the UK commercial vehicles market.

Some £650,000 was owed to its bankers for vehicle stocks and £200,000 to other creditors. The agreement with Romania was designed to provide the long-term strength to enter the UK car market and stabilise Tudor's commercial vehicles operation. Thus, Romania was also to have furnished £850,000 in bank guarantees.

Some 500 Romanian vehicles have been sold in Britain but parts supplies dried up some months ago and Mr. Wade said Tudor had to cannibalise 150 stock vehicles to keep customers on the road.

Under the 1978 Sovereignty Immunity Act, a UK company can file suit against a foreign government and the Foreign Office can act as the intermediary for its service. It is possible also to seek a distraint order against a foreign government's assets in the UK.

Transport workers may strike blow at Labour hopes for unity

BY CHRISTIAN TYLER AND JOHN LLOYD

EFFORTS by TUC and Labour Party leaders to forge a new understanding on pay and prices, seen by moderates as vital for a Labour victory at a general election, could suffer a serious reverse at the hands of Britain's biggest union this morning.

Labour's developing concordat may already have taken a tumble. Yesterday the Transport and General Workers' union conference at Brighton unexpectedly switched policy by voting against any extension of industrial democracy in a surprising defeat for the platform.

Worker democracy as part of the industrial planning process is another cornerstone of the framework for co-operation being drawn up by leaders of the Labour movement's two wings.

Today, delegates will be asked to stick firmly to their policy of unrestricted collective bargaining and to vote down a motion designed to swing the union in favour of an incomes policy.

Meanwhile, final amendments to a policy paper entitled Economic Issues Facing the Next Labour Government and setting out the case for what is, in effect, a new social contract, were agreed yesterday at a meeting in London of the TUC-Labour Party liaison committee.

Because of the delicacy of the issue, the paper refers to pay only in an oblique fashion, saying that "negotiators within both private and public enterprises, including nationalised industries, should take into account the need to secure efficiency in the use of resources and have regard to the impact of settlements on prices."

However, in a section marginally strengthened on the previous draft, the paper continues: "We emphasise strongly that the principles of fairness and comparability are central to pay bargaining and cannot be ignored by trade unions, employers or by government. Our joint approach must reflect our commitment to social justice as well as to economic growth and efficiency."

The terms of a "social contract" may be explored further in another paper on inflation next year. But if the vote in Brighton goes as expected, any attempt to devise an incomes policy will be opposed vigorously by the Transport Workers for at least the next two years.

The need for co-operation between the industrial and the political wings of the labour movement was stressed yesterday by Mr Denis Healey, deputy leader of the party, at a small fringe meeting called to boost his chances of fending off the challenge for his post from Mr Tony Benn.

Mr Healey also predicted that Mrs Thatcher was preparing for an election in autumn 1983. He named the Socialist administrations in Norway, Austria and now France, as examples of what could be achieved by political co-operation with trade unions.

Transport union vote, Page 11

Continued from Page 1

British Rail plan

of Euston and Kings Cross, are to be examined.

The changes to bring InterCity to a fully commercial performance by 1985 had to start imediately Mr Fowler said. BR had been informed.

If British Rail still fails to cut costs enough to avoid breaching its external finance limit for 1981-82, the Government is considering extending the limit, but no figure for the likely final Government ceiling is available yet.

The Government plans to examine British Rail's list of proposed schemes for further electrification at the end of each year. Schemes which are profitable will be given the go-ahead by the Transport Department and the Treasury after a review by the Government of the progress made by BR on productivity in the previous 12 months.

Philip Basset writes: Mr Fowler last night reported the Government's decision to BR unions and management officials at a special meeting of the Rail Council, the highest level consultative body in the industry. The meeting was called to discuss not just electrification but BR's overall investment requirements and difficulties.

Early reaction to the electrification announcement from union leaders before the meeting got underway contrasted sharply with the welcome it received from Sir Peter Parker.

Continued from Page 1

Italian

determination of Sig Craxi to become Italy's first Socialist Prime Minister sooner rather than later.

For both the Christian Democrats and the Communists, the results were at best mixed. The ruling party managed more or less to hold its position in its traditional stronghold of Sicily.

But it lost ground heavily in Rome and Genoa, suggesting that in the capital and the North Christian Democrats have paid a price for the recent spate of political scandals. These culminated last month in the P-2 freemasons lodge affair, which provoked the downfall of the previous Government on May 26.

BOC's £82m rights issue flops

BY IAN RODGER

THE £82m rights issue of convertible loan stock by BOC International has flopped.

Only 27 per cent of the stock, offered last month on the basis of £1 nominal for every four shares held, has been taken up, leaving the underwriters, Lazard Brothers, to absorb the balance along with their sub-underwriters.

This is the third large rights issue of convertible loan stock to flop in the past few months. In December, a £24.3m issue from London Merchant Securities attracted acceptances for only 14.4 per cent of the stock. In January, a £14m issue from distillers Arthur Bell drew acceptances for only one quarter of the stock.

Lazard Brothers said yesterday the BOC terms were very tight and the launch last week of the record £624m rights issue by British Petroleum had not helped.

The interest rate on the BOC loan stock was 9 per cent, less than four points above the yield on the shares which had been helped by a 10 per cent increase in the interim dividend announced with the rights issue. The conversion premium was about 6.5 per cent on the 129p share price before the issue was launched.

Mr John Hignett of Lazard Brothers said it had been difficult to set the conversion premium because the shares had fallen significantly in the market before the issue from a 1981 high of 154p, despite the company's indication of improving prospects.

Both the Bell and London Merchant issues suffered from significant declines in the share price during the rights period but the BOC shares eased only slightly to 124p on Friday when the issue closed.

The premium on the rights in nil paid form never exceeded 1½ points and they ended on Friday at a notional discount. The loan stock closed yesterday down one point to £97.

The proceeds of the rights issue are to be used to strengthen BOC's capital structure by lengthening the maturity of its borrowings and to supplement the equity base in the longer term.

Three-man council replaces Bani-Sadr

By Terry Povey in Tehran

A THREE-MAN council yesterday took control of Iran's presidency after Mr Abolhassan Bani-Sadr had been formally dismissed from office by Ayatollah Khomeini, the country's revolutionary leader.

Yesterday's dismissal follows the Tehran parliament's overwhelming vote on Sunday to impeach Mr Bani-Sadr. There was no response to the move yesterday from the former President, who is in hiding.

After briefly announcing the sacking, Ayatollah Khomeini went on to warn Mr Bani-Sadr against fleeing the country to join exiled opposition to the Moslem fundamentalist regime that now has complete control of the trappings of power in Iran. "I warn you against joining those wolves abroad," the Ayatollah said.

While many rank and file opponents of Mr Bani-Sadr have taken to the streets of the capital recently, calling for his imprisonment as a criminal and even for his execution, the Ayatollah yesterday merely called on the former President to "repent and return to the ways of Islam." If he did, he would be able to resume his "publishing and writing" activities.

Mr Bani-Sadr ran a newspaper in Tehran until it was closed by order of the revolutionary authorities a few weeks ago.

With the dismissal now formal, according to Iran's constitution, Ayatollah Mohammed Beheshti, head of the supreme court, Hojatolislam Hashemi Rafsanjani, speaker of the parliament, and Premier Mohammed Ali Rajai automatically take over the Presidency.

This triumvirate, all of its members arch opponents of Mr Bani-Sadr, rule for 50 days during which presidential elections are supposed to take place.

Possible candidates being mentioned for the presidential position include both Ayatollah Beheshti and Mr Rajai.

Meanwhile, the wave of executions that started after the violent clashes in Tehran last week has continued. Among a further eight people whose executions were announced yesterday was a prominent left-wing playwright and poet, Mr Saeed Sultanpour, who had been detained in April.

Weather

UK TODAY

MAINLY dry and sunny but some fog patches in north and west with drizzle.

London, Southern England, East Anglia
Dry with sunny periods. Max 23C.

S. W. England, S. Wales
Sunny periods, fog patches with drizzle on north facing coasts. Max. 20C.

N. W. England, N. Wales, S. W. Scotland
Hill and coastal fog, local drizzle, sunny intervals. Max. 19C

N. E. England, E. Scotland
Mainly dry, sunny periods, some hill fog. Max. 20C.

Central and N. Scotland, N. Ireland, Orkney, Shetland
Cloudy, fog patches, some rain or drizzle, bright intervals. Max. 17C.

Outlook: Bright start becoming unsettled.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	22	72	Locarno	F	20	68
Algiers	F	25	77	London	S	20	68
Amsdm.	C	17	63	L. Ang.†		—	—
Athens	S	25	77	Luxmbg.	C	13	55
Bahrain	S	40	104	Luxor	S	42	108
Barclna.	C	22	72	Madrid	S	29	84
Beirut	S	27	81	Majorca	F	27	81
Belfast	C	15	59	Malaga	F	25	77
Belgrd.	F	22	72	Malta	S	25	77
Berlin	F	19	66	Mchstr.	F	21	70
Biarritz	S	19	66	Melbne.	F	14	57
Bmghm.	S	21	70	Mx. C.†		—	—
Blackpl.	C	14	57	Miami†		—	—
Bordx.	S	20	68	Milan	F	20	68
Boulgn.	F	15	59	Montrl.†	R	17	63
Bristol	S	21	70	Moscow	S	27	81
Brussels	C	15	59	Munich	R	10	50
Budpst.	C	21	70	Nairobi	F	25	77
Cairo		—	—	Naples	F	23	73
Cardiff	S	19	66	Nwcstl.	S	20	68
Casbca.	F	24	75	N. York†		—	—
Cape T.		—	—	Nice	T	17	63
Chicg.†		—	—	Nicosia	S	26	79
Cologne	C	15	59	Oporto	F	21	70
Cpnhgn.	S	17	63	Oslo	C	20	68
Corfu	S	26	79	Paris	F	18	64
Denver†		—	—	Perth	S	11	52
Dublin	C	15	59	Prague	S	14	57
Dbrvnk.	F	23	73	Rykjvk.	C	18	64
Ednbgh.	F	20	68	Rhodes	S	26	79
Faro	S	24	75	Rome	T	16	61
Florence	C	18	64	Salzbrg.	R	10	50
Frankft.	C	14	57	S'cisco†		—	—
Funchal	C	23	73	Singapr.		—	—
Geneva	S	16	61	Stckhm.	F	19	66
Gibrltr.	F	25	77	Strasbg.	R	13	55
Glasg'w	C	17	63	Sydney	S	18	64
G'rnsey	S	17	63	Tangier	F	24	75
Helsinki	S	19	66	Tel Aviv	S	26	79
H. Kong	F	32	90	Tenerife	S	25	77
Innsbrk.	R	7	45	Tokyo	C	18	64
Invrnss.	C	18	64	T'r'nto†	R	16	61
I.o.Man	F	15	59	Tunis	S	26	79
Istanbul	F	22	72	Valencia	S	26	79
Jersey	S	18	64	Venice	R	13	55
Jo'burg	S	17	63	Vienna	C	16	61
L. Plms.	C	24	75	Warsaw	C	19	66
Lisbon	S	24	75	Zurich	F	13	55

C—Cloudy. F—Fair. R—Rain. S—Sunny T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Peugeot skids into loss

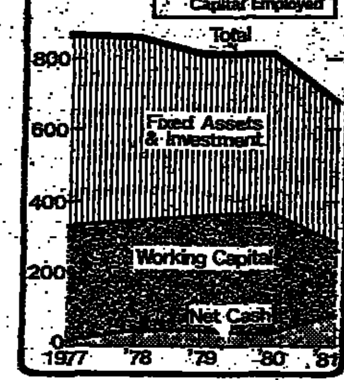
The FFr 1.5bn net loss announced by Peugeot for 1980 is exactly in line with the forecast made by the company last November, but only thanks to a net tax credit of FFr 1.2bn arising from a change in the treatment of deferred taxation.

The true position is grim. Peugeot has been pruning, closing and selling the operations taken on board from Chrysler but has yet to reverse the perilous decline of its original business.

The company lost FFr500m in France last year and its market share is still being eroded by Renault and the West German competition. New car registrations in France were down by 13.4 per cent in the first quarter and, for Peugeot's marques, the fall was almost twice that. The French manufacturers are almost certainly building up stock, which is a luxury Peugeot can ill afford. Medium-term debt alone was FFr9.8bn at the end of last year, well over half net worth, and the 1980 interest charge of FFr2.1bn swamped Peugeot's trading surplus.

The group has taken a sharp knife to its car operations, pruning the workforce by by almost 7 per cent and charging FFr 1.5bn of exceptional costs above the line. But it still has not fully digested the Chrysler acquisition and, with no sign of an improvement in the domestic market, further politically sensitive measures will be needed. The shares, which were trading at FFr 480 just before the Chrysler deal was announced in 1978, gained FFr 6.30 to FFr 135.80 in Paris yesterday.

Index rose 2.9 to 544.3



Courtaulds

Profit breakdowns in the Courtaulds annual report emphasise that the group's problems are centred in its mainstream UK operations. The trading profits decline of £31m in fibres and £22m (into losses) in fabrics together accounted for substantially the whole of the overall group fall from £88m to £30m. In fact the UK registered an overall trading loss of £7m, leaving the overseas operations in aggregate showing an improvement from £29m to £37m.

The balance sheet sheds further light on the big cash inflow revealed at the preliminary results stage, and it turns out that some £20m of the £70m cash inflow reflects improved supplier credit terms. The creditors total is also swollen by an increase of £24m in closure provisions, though much of this will not need to be paid out in cash for some time yet — and the group has found that closures are net generators of cash.

Little new information is provided by the report on immediate prospects, though Mr Christopher Hogg, the chairman, is revealed to have switched his modest personal stake out of the International Paints subsidiary—which raised its profits last year—and into the shares of the parent company.

Unigate

As high interest rates force the U.S. long-term bond market to a standstill, corporations are finding the commercial paper market an attractive place to keep their short-term debt rolling over. And there are signs that non-U.S. companies are becoming increasingly aware of the benefits of borrowing at a discount, currently of about 1 per cent, below Eurodollar rates. In the UK, there is nothing new about majors like BP and Unilever with extensive U.S. business interests using the market, but the entry of Unigate may well be a signal for other medium-ranking organisations to take notice.

For successful use of the market a company must obtain recognition as a prime issuer from the credit rating companies. Unigate's low level of net debt has been a major factor in its ability to obtain such a rating and it has thereby avoided the extra costs of the type of bank guarantee Bowater has just obtained to back its paper. Commercial paper can be used solely to finance working capital—which peaks at a mere $30m in the case of Unigate's two small U.S. businesses. At this size the programme hardly justifies the rating costs. So it looks as if the company is making its debut on the market with a U.S. acquisition very much in mind.

High flyer

Small computer service companies have been all the rage on the stock market recently, and few more so than Applied Computer Services. Placed two years ago at the equivalent of around 32p, it has lately been trading at over 140p and its fully taxed p/e has generally been well over 30.

But yesterday's preliminary figures are an unwelcome reminder of the risks facing small companies which try to break into the big league in a fast moving business. Sales were just about unchanged in the second half of the year to March and after allowing for rights issue dilution, reported earnings for the year are down a fifth. The shares fell 11p to 131p.

Three fifths of profits come from bureau services, but what has been causing the excitement —and the problems—has been the development of a new micro-computer system for small businesses. ACT blames heavy launch costs for its poor figures, and admits that sales of the system are running below earlier hopes. But management remains as bullish as ever about the medium term, which is just as well since the dividend yield is 0.5 per cent.

BP issue

Brokers Rowe and Pitman were last heard of advising a switch out of BP into Sohio, and Hoare Govett earlier this month produced a lukewarm "hold" recommendation for the oil giant. Now, along with Scrimgeour Kemp-Gee, the other member of the trio of broking firms officially sponsoring the £624m BP rights issue, they have jointly decided that the shares are attractive. A swift change of view? Not exactly, because the BP price is now well down on the 370p-380p at which the previous opinions were expressed. At current levels the shares could be a rather different proposition. But more than anything else this special circular looks like a mark of loyalty to their corporate client; their investment clients will treat it accordingly.

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